IMPORTANT NOTICE

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

This preliminary offering memorandum has been prepared in connection with the offer and sale of the securities described therein. The preliminary offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE SECURITIES DESCRIBED IN THE ATTACHED PRELIMINARY OFFERING MEMORANDUM IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "**US SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. THE SECURITIES ARE BEING OFFERED AND SOLD: (1) WITHIN THE UNITED STATES AS DEFINED IN AND IN RELIANCE ON RULE 144A UNDER THE US SECURITIES ACT ("**RULE 144A**") ONLY TO PERSONS THAT ARE QUALIFIED INSTITUTIONAL BUYERS (EACH, A "**QIB**"), WITHIN THE MEANING OF RULE 144A, ACTING ON THEIR OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QIB; AND (2) OUTSIDE THE UNITED STATES TO PERSONS OTHER THAN US PERSONS (AS DEFINED IN REGULATION S UNDER THE US SECURITIES ACT ("**REGULATION S**")) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S. THE ATTACHED PRELIMINARY OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY US PERSON UNLESS SUCH PERSON IS A QIB IN ACCORDANCE WITH RULE 144A. DISTRIBUTION OR REPRODUCTION OF THE ATTACHED PRELIMINARY OFFERING MEMORANDUM, IN WHOLE OR IN PART, IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE US SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS.

Confirmation of your representation: In order to be eligible to receive the attached preliminary offering memorandum or to make an investment decision with respect to the securities described therein, (1) each prospective investor in respect of the securities being offered pursuant to Rule 144A must be a QIB, and (2) each prospective investor in respect of the securities being offered outside the United States in an offshore transaction pursuant to Regulation S must be a person other than a US person. By accepting this e-mail and accessing the preliminary offering memorandum, you shall be deemed to have represented to the Issuer that (1) in respect of the securities being offered pursuant to Rule 144A, you are (or the person you represent is) a QIB, and that the e-mail address to which, pursuant to your request, the attached offering memorandum has been delivered by electronic transmission is utilized by a QIB, (2) in respect of the securities being offered outside of the United States in an offshore transaction pursuant to Regulation S, you are (or the person you represent is) a person other than a US person, and that the e-mail address to which, pursuant to your request, the attached preliminary offering memorandum has been delivered by electronic transmission is utilized by a person other than a US person, (3) you are a person to whom the attached preliminary offering memorandum may be delivered in accordance with the restrictions set out in "*Notice to investors*" and "*Plan of Distribution*" in the attached preliminary offering memorandum, and (4) you consent to the delivery of such preliminary offering memorandum by electronic transmission. You are reminded that the preliminary offering memorandum has been delivered to you on the basis that you are a person into whose possession the preliminary offering memorandum may be lawfully delivered, and you may not, nor are you authorized to, deliver the preliminary offering memorandum to any other person or make copies of the preliminary offering memorandum.

The preliminary offering memorandum has not been approved by an authorized person in the United Kingdom. No person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the "**FSMA**")) received by it in connection with the issue or sale of the securities other than in instances in which Section 21(1) of the FSMA does not apply to us.

Solely for the purposes of the product approval process of Goldman Sachs Bank Europe SE (the "**manufacturer**"), the target market assessment in respect of the securities described in the attached preliminary offering memorandum has led to the conclusion that: (i) the target market for the securities is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of such securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending such securities (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

The securities described in the attached preliminary offering memorandum are not intended to be offered, or sold to and should not be offered, or sold to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and, therefore, offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The securities described in the attached preliminary offering memorandum are not intended to be offered, or sold to and should not be offered or sold to any retail investor in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the securities or otherwise making them available to retail investors in the UK has been prepared and, therefore, offering or selling the securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

The preliminary offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and, consequently, neither (i) RENK GmbH or any of its affiliates, nor (ii) the Initial Purchaser named in the offering memorandum or any person who controls any of them or any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any alterations to the preliminary offering memorandum distributed to you in electronic format.

This e-mail and the attached document are intended only for use by the addressee named herein and may contain legally privileged and/or confidential information. If you are not the intended recipient of this e-mail, you are hereby notified that any dissemination, distribution or copying of this e-mail and the attached document is strictly prohibited. If you have received this e-mail in error, please immediately notify the sender by reply e-mail and permanently delete all copies of this e-mail and destroy any printouts of it.

The information in this Preliminary Offering Memorandum is not complete and may be changed without notice. The definitive terms of the transaction described herein will be described in the final version of this document. The securities will not be sold and offers to buy these securities will not be accepted until a Final Offering Memorandum is delivered. The Preliminary Offering Memorandum does not constitute an offer to sell the securities described herein or the solicitation of an offer to buy the securities in any jurisdiction where the offer and sale is not permitted.

Subject to Completion, dated June 21, 2021

PRELIMINARY OFFERING MEMORANDUM

NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES

RENK

RENK GmbH

€200,000,000 5.75% Senior Secured Notes due 2025

RENK GmbH (formerly Rebecca BidCo GmbH), organized as a German limited liability company (*Gesellschaft mit beschränkter Haftung—GmbH*) (the "**Issuer**"), is offering (the "**Offering**") €200,000,000 aggregate principal amount of its 5.75% senior secured notes due 2025 (the "**Additional Notes**"). The proceeds from the Offering will be used as part of the financing for the proposed acquisition (the "**Acquisition**") of the Target Business (as defined herein).

The Additional Notes will be issued under the indenture dated July 13, 2020 (as amended and supplemented from time to time, the "**Indenture**") pursuant to which the Issuer issued €320,000,000 aggregate principal amount of 5.75% senior secured notes due 2025 (the "**Original Notes**"). The Original Notes together with the Additional Notes are referred to herein as the "**Notes**" unless the context requires otherwise. The Additional Notes will have the same terms and conditions as the Original Notes and will be treated as one single class together with the Original Notes for all purposes under the Indenture, including without limitation, waivers, amendments, redemptions and offers to purchase, except as otherwise set forth herein. The Additional Notes will initially be issued bearing temporary ISINs and common codes that differ from the ISINs and common codes assigned to the Original Notes. In particular, (a) the Additional Notes sold pursuant to Rule 144A (as defined below) will have a different temporary ISIN number and common code from, and will not trade fungibly with, the Original Notes sold pursuant to Rule 144A during the period prior to and including the first interest payment date following the Additional Notes Issue Date and (b) the Additional Notes sold pursuant to Regulation S (as defined below) will have a different temporary ISIN number and common code from, and will not trade fungibly with, the Original Notes sold pursuant to Regulation S during the period prior to and including the 40th day following the Additional Notes Issue Date (as defined herein). After such dates, the relevant Additional Notes are expected to become fully fungible with, and have the same ISIN number and common code as, the relevant Original Notes, as applicable.

The Issuer will pay interest on the Notes at a rate of 5.75% per annum. Interest on the Additional Notes will be payable semi-annually in arrears on January 15 and July 15 of each year, commencing on July 15, 2021. The Notes will mature on July 15, 2025. The Issuer may redeem all or part of the Notes on or after July 15, 2022 at the redemption prices set out in this offering memorandum. Prior to July 15, 2022, the Issuer may redeem, at its option, all or part of the Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts (as defined herein), if any, plus the Applicable Premium (as defined herein). In addition, prior to July 15, 2022, the Issuer may also redeem at its option up to 40% of the aggregate principal amount of the Notes using the net cash proceeds from certain equity offerings at a redemption price equal to 105.75% plus accrued and unpaid interest and Additional Amounts, if any, provided that at least 60% of the original principal amount of the Notes remains outstanding after the redemption date. Prior to July 15, 2022, the Issuer may also redeem in each calendar year up to 10% of the original principal amount of the Notes at a redemption price equal to 103% plus accrued and unpaid interest and Additional Amounts, if any. Upon the occurrence of certain events constituting a Change of Control (as defined herein), the Issuer may be required to make an offer to repurchase all of the Notes at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any. In the event of certain developments affecting taxation, the Issuer may redeem all, but not less than all, of the Notes. In addition, in connection with certain tender offers for the Notes, if holders of not less than 90% in aggregate principal amount of the applicable series of outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases all of the Notes validly tendered and not withdrawn by such holders, the Issuer or such third party will have the right to redeem the Notes of such series that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of such Notes.

On the Additional Notes Issue Date, the Additional Notes will be senior obligations of the Issuer, will rank senior in right of payment to any existing and future indebtedness of the Issuer that is subordinated in right of payment to the Additional Notes, will be *pari passu* in right of payment among themselves and with all existing and future obligations of the Issuer that are not subordinated in right of payment to the Additional Notes, including the Original Notes, the Super Senior Facilities Agreement (as defined herein) that provides for aggregate borrowings of (i) up to €50.0 million under a cash revolving facility (the "**Cash RCF Facility**") and (ii) up to €175.0 million under a multicurrency revolving letter of guarantee facility (the "**L/G RCF Facility**" and together with the Cash RCF Facility, the "**Super Senior Facilities**") and certain hedging obligations, will be effectively senior to all existing and future indebtedness of the Issuer that is unsecured or secured by liens junior to the liens securing the Additional Notes to the extent of the value of the property and assets securing the Additional Notes, will be effectively subordinated to all existing and future indebtedness of the Issuer that is secured by property and assets that do not secure the Additional Notes, to the extent of the value of the property and assets securing such indebtedness, and will be structurally subordinated to all existing and future indebtedness of the subsidiaries of the Issuer that are not Guarantors (as defined herein).

On the Additional Notes Issue Date, the Additional Notes will be guaranteed by Horstman Defence Systems Limited and Horstman Holdings Limited (the "**Original Guarantors**"). Within 30 days following the Acquisition Closing Date (as defined herein), the Additional Notes will be guaranteed by RENK Holdings, Inc. and RENK America LLC (the "**Post-Acquisition Guarantors**" and, together with the Original Guarantors, the "**Guarantors**"). The Guarantors also guarantee or will guarantee the Original Notes and the Super Senior Facilities on a *pari passu* basis. On the Additional Notes Issue Date, the Additional Notes will be secured by (a) security over the receivables owing to FinCo (as defined below) or any other indirect parent entity of the Issuer with respect to any structural loans made by it to the Issuer, (b) a pledge over the shares in the Issuer, (c) a security with respect to the Issuer's material bank accounts (if any) in Germany and Luxembourg, (d) a pledge over each Original Guarantor's material bank accounts in certain covered jurisdictions, (e) security over any material structural intercompany receivable owed to the Issuer or such Original Guarantor, (f) pledges over the shares in each Original Guarantor and (g) substantially all of the assets of each Original Guarantor (pursuant to a floating charge) (collectively, the "**Initial Collateral**"). Within 30 days following the Acquisition Closing Date, the Additional Notes will, subject to the Agreed Security Principles (as defined herein), be secured by (a) pledges over the shares in each of the Post-Acquisition Guarantors and (b) substantially all of the assets of each Post-Acquisition Guarantor (pursuant to an all asset security agreement) (collectively, the "**Post-Acquisition Collateral**" and, together with the Initial Collateral, the "**Collateral**"). The Collateral also secures, or will secure, on a first-priority basis the Original Notes, the Super Senior Facilities and certain hedging obligations. Under the terms of the Intercreditor Agreement (as defined herein), proceeds received upon an enforcement of certain distressed disposals of the Collateral will be paid to the lenders under the Super Senior Facilities and certain hedging counterparties, if any, in priority to the holders of the Additional Notes. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*." The Guarantees and the security interests over the Collateral will be subject to certain significant contractual and legal limitations or subject to certain defenses under applicable law. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests*" and "*Risk Factors—Risks Related to the Additional Notes and the Guarantees and the Collateral—Corporate benefit, financial assistance laws, capital maintenance requirements and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral.*" The Guarantees and the security interests over the Collateral may be released under certain circumstances. See "*Risk Factors—Risks Related to the Additional Notes and the Guarantees and the Collateral—There are circumstances other than repayment or discharge of the Additional Notes and the Original Notes, under which the Collateral and the Guarantees may be released automatically, without your consent or the Trustee.*"

The Additional Notes will be in registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Additional Notes will be represented on issue by global notes, which will be delivered in book entry form through Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") on or about the Additional Notes Issue Date. Interests in each global note will be exchangeable for the relevant definitive notes only in certain limited circumstances. See "*Book-Entry, Delivery and Form*."

There is currently no public market for the Additional Notes. Application will be made to The International Stock Exchange Authority Limited (the "**Authority**") for the listing of and permission to deal in the Additional Notes on the Official List of The International Stock Exchange (the "**Exchange**"). There is no assurance that the Additional Notes will be listed on the Official List of the Exchange or that such listing will be maintained.

Investing in the Additional Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 32.

The Additional Notes and the related Guarantees have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "US Securities Act") or the securities law of any other jurisdiction. Accordingly, the Additional Notes are being offered and sold only to qualified institutional buyers ("QIBs") in reliance on Rule 144A under the US Securities Act ("Rule 144A") and to Non-US persons outside of the United States in reliance on Regulation S under the US Securities Act ("Regulation S"). Prospective purchasers are hereby notified that the seller of the Additional Notes may be relying on the exemption from the registration requirements under the US Securities Act provided by Rule 144A. See "*Notice to Investors*," "*Notice to Certain EEA Investors and Investors in the United Kingdom*," "*Prohibition of Sales to EEA Retail Investors*," "*Prohibition on Sales to Retail Investors in the United* Kingdom" and "*Transfer Restrictions*" for additional information about eligible offerees and transfer restrictions.

Issue Price: % plus accrued interest, if any, from the Additional Notes Issue Date.

Sole Global Coordinator and Bookrunner

Goldman Sachs Bank Europe SE

The date of this offering memorandum is June , 2021.

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NOTICE TO INVESTORS

You should rely only on the information contained in this offering memorandum. None of the Issuer or the Initial Purchaser (as defined herein) has authorized anyone to provide you with any information or represent anything about the Issuer, the Target Business (as defined herein), their respective financial results or this Offering that is not contained in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer or the Initial Purchaser. None of the Issuer or the Initial Purchaser is offering the Additional Notes in any jurisdiction where this Offering is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front cover of this offering memorandum.

THE ADDITIONAL NOTES AND THE RELATED GUARANTEES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE US SECURITIES ACT AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES, OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS (AS DEFINED IN REGULATION S UNDER THE US SECURITIES ACT ("REGULATION S")) UNLESS REGISTERED UNDER THE US SECURITIES ACT, OR PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT. SEE "**PLAN OF DISTRIBUTION**" AND "**TRANSFER RESTRICTIONS**." INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF ANY SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE US SECURITIES ACT PROVIDED BY RULE 144A UNDER THE US SECURITIES ACT.

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this offering memorandum and, if given or made, any such information or representation must not be relied upon as having been authorized by the Issuer, any of its affiliates or Goldman Sachs Bank Europe SE (the "**Initial Purchaser**"). This offering memorandum does not constitute an offer of any securities other than those to which it relates or an offer to sell, or a solicitation of an offer to buy, to any person in any jurisdiction where such an offer or solicitation would be unlawful. Neither the delivery of this offering memorandum nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, the Group or the Target Business since the date of this offering memorandum or that the information contained in this offering memorandum is correct as of any time subsequent to that date.

The Initial Purchaser is not responsible for, and is not making any representation or warranty to you concerning, the Issuer's, the Group's or the Target Business's future performance or the accuracy or completeness of this offering memorandum. Neither the Initial Purchaser nor the trustee or any agent accepts any responsibility for the contents of this offering memorandum or for any other statement made or purported to be made by the Issuer in connection with the issuance and Offering. The Initial Purchaser, the trustee and any agent accordingly disclaim all and any liability whether arising in tort or contract or otherwise which they might otherwise have in respect of this offering memorandum or any such statement. The Initial Purchaser does not undertake to review the financial condition or affairs of the Issuer or any Guarantor during the life of the Additional Notes or to advise any investor or potential investor in the Additional Notes of any information coming to the attention of the Initial Purchaser. The Issuer, and not the Initial Purchaser, has ultimate authority over the statements contained in this offering memorandum, including the content of those statements and whether and how to communicate them.

By receiving this offering memorandum, investors acknowledge that they have had an opportunity to request for review, and have received, all additional information they deem necessary to verify the accuracy and completeness of the information contained in this offering memorandum. Investors also acknowledge that they have not relied on the Initial Purchaser in connection with their investigation of the accuracy of this information or their decision whether to invest in the Additional Notes. The contents of this offering memorandum are not to be considered legal, business, financial, investment, tax or other advice. Prospective investors should consult their own counsel, accountants and other advisors as to legal, business, financial, investment, tax and other aspects of a purchase of the Additional Notes. In making an investment decision, investors must rely on their own examination of the Issuer and its affiliates, the terms of the offering of the Additional Notes and the merits and risks involved.

This Offering is being made in reliance upon exemptions from registration under the US Securities Act for an offer and sale of securities that does not involve a public offering. The Additional Notes and the related Guarantees have not been registered with, recommended by or approved by the US Securities and Exchange

Commission (the "**SEC**") or any other US federal, state or foreign securities commission or regulatory authority, nor has any such commission or regulatory authority reviewed or passed upon the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

This offering memorandum is being provided for informational use solely in connection with the offer and sale of the Additional Notes (1) to QIBs as defined in Rule 144A under the US Securities Act and (2) to non-US persons in offshore transactions outside the United States in reliance on Regulation S under the US Securities Act.

The Initial Purchaser reserves the right to withdraw this Offering at any time and to reject any commitment to subscribe for the Additional Notes, in whole or in part. The Initial Purchaser also reserves the right to allot less than the full amount of Additional Notes subscribed by investors. The Initial Purchaser and certain related entities may acquire a portion of the Additional Notes for their own account.

The laws of certain jurisdictions may restrict the distribution of this offering memorandum. Furthermore, the Additional Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the US Securities Act and any other applicable federal, state or foreign securities laws pursuant to registration or exemption therefrom. Persons into whose possession this offering memorandum or any of the Additional Notes come must inform themselves about and observe any such restrictions. None of the Issuer, the Initial Purchaser or their respective representatives is making any representation to any offeree or any purchaser of the Additional Notes regarding the legality of any investment in the Additional Notes by such offeree or purchaser under applicable investment or similar laws or regulations. For a further description of certain restrictions on the offering and sale of the Additional Notes and the distribution of this offering memorandum, see "*— Notice to Certain EEA Investors and Investors in the United Kingdom*," "*Prohibition of Sales to EEA Retail Investors,*" "*Prohibition of Sales to Retail Investors in the United* Kingdom" and "*Transfer Restrictions*."

To purchase the Additional Notes, investors must comply with all applicable laws and regulations in force in any jurisdiction in which investors purchase, offer or sell the Additional Notes or possess or distribute this offering memorandum. Investors must also obtain any consent, approval or permission required by such jurisdiction for investors to purchase, offer or sell any of the Additional Notes under the laws and regulations in force in any jurisdiction to which investors are subject. None of the Issuer, its affiliates or the Initial Purchaser will have any responsibility therefore.

No action has been taken by the Issuer, the Initial Purchaser or any other person that would permit an offering of the Additional Notes or the circulation or distribution of this offering memorandum or any offering material in relation to the Issuer or its affiliates or the Additional Notes in any country or jurisdiction where action for that purpose is required.

The Issuer accepts responsibility for the information contained in this offering memorandum. To the best of the knowledge and belief of the Issuer (having taken reasonable care to ensure that such is the case), the information contained in this offering memorandum is in accordance with the facts in all material respects and does not omit anything likely to affect the import of such information in any material respect. The Issuer accepts responsibility accordingly.

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

NOTICE TO CERTAIN EEA INVESTORS AND INVESTORS IN THE UNITED KINGDOM

EU MiFID II product governance/Professional investors and ECPs only target market

Solely for the purposes of the product approval process of Goldman Sachs Bank Europe SE (the "**manufacturer**"), the target market assessment in respect of the Additional Notes described in this offering memorandum has led to the conclusion that: (i) the target market for the Additional Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Additional Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending such Additional Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such Additional Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

European Economic Area

EU PRIIPs Regulation/Prohibition of Sales to EEA Investors

The Additional Notes are not intended to be offered, distributed, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Additional Notes or otherwise making them available to retail investors in the EEA has been prepared and, therefore, offering or selling the Additional Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

United Kingdom

UK PRIIPs Regulation/Prohibition of sales to retail investors in the United Kingdom

The Additional Notes are not intended to be offered, or sold to and should not be offered or sold to any retail investor in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Market Act 2000, as amended ("**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Additional Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Additional Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

NOTICE TO GERMAN INVESTORS

The Additional Notes may be offered and sold in the Federal Republic of Germany only in compliance with the Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"), the PRIIPs Regulation, the German Securities Prospectus Act (*Wertpapierprospektgesetz*) (the "**German Securities Prospectus Act**"), as amended or any other laws applicable in Germany governing the issue, offering and sale of securities. This offering memorandum has not been approved under the German Securities Prospectus Act or the Prospectus Regulation and, accordingly, the Additional Notes may not be offered publicly in the Federal Republic of Germany. The Additional Notes will be offered in the Federal Republic of Germany in reliance on an exemption from the requirement to publish an approved securities prospectus under the German Securities Prospectus Act or the Prospectus Regulation. Any resale of the Additional Notes in Germany may only be made in accordance with the German Securities Prospectus Act and other applicable laws. The Issuer has not filed and does not intend to file a securities prospectus with the German Federal Financial Supervisory

Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) ("**BaFin**") or obtain a notification to BaFin from another competent authority of a member state of the EEA, with which a securities prospectus may have been filed, pursuant to Article 25 of the Prospectus Regulation.

NOTICE TO UK INVESTORS

Members of the public are not eligible to take part in this Offering. In the United Kingdom, this offering memorandum is for distribution only to persons who (a) 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**"), (b) are persons falling within Article 49(2)(a) to (d) ("high net worth companies," "unincorporated associations," etc.) of the Financial Promotion Order, or (c) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA in connection with the issue or sale of the Additional 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. Recipients of this offering memorandum are not permitted to transmit it to any other person. Persons distributing this offering memorandum must satisfy themselves that it is lawful to do so. The Additional Notes are not being offered to the public in the United Kingdom.

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

FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this offering memorandum, including, without limitation, those regarding the Group's and the Target Business' future financial position and results of operations, its strategy, plans, objectives, goals and targets, future developments in the markets in which the Group or the Target Business participate or are seeking to participate or anticipated regulatory changes in the markets in which the Group or the Target Business operate or intend to operate. In some cases, you can identify forward-looking statements by terminology such as "aim," "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "guidance," "intend," "may," "ongoing," "plan," "potential," "predict," "projected," "propose," "seek," "should," "targets" or "will" or the negative of such terms or other variation or comparable terminology. Forward-looking statements and estimated future financial information are not audited by an auditor.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future, many of which are beyond the Group's control and all of which are based on management's current beliefs and expectations about future events. The Issuer cautions you that forward-looking statements are not guarantees of future performance and are based on numerous assumptions and that the Group's and/or the Target Business', as the context requires, actual results of operations, including its financial condition and liquidity and the development of the industry in which the Group and/or the Target Business operate, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this offering memorandum. In addition, even if the Group's and/or the Target Business' results of operations, including its financial condition and liquidity and the development of the industry in which the Group and/or the Target Business operate, are consistent with the forward-looking statements contained in this offering memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Important risks, uncertainties and other factors that could cause these differences include, but are not limited to:

- general economic development, but particularly in the jurisdictions in which the Group operates;
- the current COVID-19 pandemic or similar incidents;
- structural development as well as cyclicality of relevant underlying end-markets;
- changes in the competitive environment, including the potential impact on price levels for certain applications;
- market trends and technological developments;
- continued ability to sustain the Group's competitive differentiation and provide high quality products on time;
- managing customer and supplier concentration in specific business areas and for certain products as well as components;
- potential disruptions in the Group's supply or delivery chain and overall performance of the Group's global operations;
- obtaining the required funding from customers for joint and project-specific R&D activities;
- risks related to the realization of our estimated order intake and order backlog;
- the Group's ability (and that of relevant stakeholders within the value chain) to obtain or maintain sufficient financing;
- changes in currency exchange rates;
- changes in regulatory environment, e.g., export controls, tariffs and other trade barriers;
- reductions in government spending with an impact on customer behavior;
- audits by the Group's customers on government contracts;
- government contracting risks;
- the Combined Group's dependency on a limited number of customers and programs;
- attracting and retaining qualified executives and talent;

- successful integration of recent or future acquisitions or investments;
- the performance of the Group's global operations;
- managing reliance on complex IT systems and networks;
- maintaining an effective system of internal controls;
- property loss and unforeseen business interruption;
- the forward-looking industry and market information presented in this offering memorandum; and
- other factors discussed in "*Risk Factors*."

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 the Group's and the Target Business' business, financial condition and results of operations. New risks may emerge from time to time, and it is not possible for the Group to predict all such risks, nor can the Issuer assess the impact of all such risks on the Group's or the Target Business' 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.

The Issuer urges you to read carefully the sections of this offering memorandum entitled "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Former RENK AG Group and RENK Holding GmbH Group*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Target Business*," "*Industry and Competition*" and "*Business*" for a more complete discussion of the factors that could affect the Group's future performance and the markets in which the Group operates. In light of these risks, uncertainties and assumptions, the forward-looking statements described in this offering memorandum may not be accurate or occur at all.

Accordingly, prospective investors should not place undue reliance on these forward-looking statements, which speak only as of the date on which the statements were made (and in any case no later than the date of this offering memorandum).

The Issuer undertakes no obligation, and does not intend, to update or revise any forward-looking statements or risk factors, whether as a result of new information, future events or developments or otherwise. All subsequent written and oral forward-looking statements attributable to the Issuer or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this offering memorandum.

CERTAIN DEFINITIONS

Unless otherwise specified or the context requires otherwise in this offering memorandum (and except as otherwise defined in "*Description of the Notes*" and "*Description of Certain Financing Arrangements*" for purposes of those sections only), references to:

- "**Acquisition**" refers to the acquisition by the Issuer of the Target Business under the Acquisition Agreement, as further described under "*Summary—The Transactions—The Acquisition*";
- "**Acquisition Agreement**" refers to the asset and stock purchase agreement, including any schedules and/or annexes attached thereto, entered into between the Issuer and L3Harris Technologies, Inc. and L-3 Communications Holding GmbH, on March 1, 2021, as amended by the amendment agreement dated June 14, 2021;
- "**Acquisition Closing Date**" refers to the date on which the Acquisition is completed which is expected to be July 2, 2021;
- "**Additional Notes**" means the €200,000,000 in aggregate principal amount of additional 5.75% senior secured notes due 2025 to be issued on the Additional Notes Issue Date under the Indenture dated July 13, 2020;
- "**Additional Notes Issue Date**" means , 2021;
- "**Collateral**" refers to the collateral as described under "*Summary—The Offering—Collateral*";
- "**Combined Group**" means the Group and the Target Business, collectively;
- "**Equity Contribution**" refers to the investment to be made by the Sponsor in the form of equity capital or similar instruments in the Issuer on or prior to the Acquisition Closing Date for purposes of financing, together with the proceeds from the Offering, the Acquisition, as further described under "*Summary—The Transactions—The Acquisition*";
- "**EU**" refers to the European Union;
- "**FinCo**" refers to RENK FinCo GmbH (previously Rebecca FinCo GmbH), a German limited liability company (*Gesellschaft mit beschränkter Haftung—GmbH*);
- "**former RENK AG**" means the former Renk Aktiengesellschaft (local court of Augsburg, HRB 6193) which merged with the Issuer on February 15, 2021, with the Issuer as surviving entity with retrospective effect as of January 1, 2020;
- "**former RENK AG Group**" means the former RENK AG and its subsidiaries;
- "**Group**", "**RENK**", "**we**", "**us**" or "**our**" refers (i) as of and for the fiscal years ended December 31, 2018 and 2019, respectively, and for the three months ended March 31, 2020, to the former RENK AG Group and (ii) as of and for the short fiscal year ended December 31, 2020 and as of and for the three month period ended March 31, 2021, as well as for any subsequent period, to RENK Holding GmbH Group (including the Issuer), unless the context requires otherwise;
- "**Guarantors**" refers to the Guarantors as described under "*Summary—The Offering—Guarantees*";
- "**Guarantees**" refers to the Guarantees under the Notes as described under "*Summary—The Offering—Guarantees*";
- "**Horstman**" refers to the consolidated companies of the Horstman Group (as defined below): Horstman Holdings Ltd., Horstman Defence Systems Ltd. and Horstman, Inc.;
- "**Horstman Group**" refers to the armored vehicle suspension systems provider Horstman Holdings Ltd., Horstman Defence Systems Ltd., Horstman, Inc. and Horstman Systems Inc.;
- "**IAS**" refers to International Accounting Standards as adopted by the European Union;
- "**IFRS**" refers to International Financial Reporting Standards as adopted by the European Union;
- "**Initial Purchaser**" refers to Goldman Sachs Bank Europe SE;
- "**Intercreditor Agreement**" refers to the intercreditor agreement dated July 13, 2020 among, *inter alios*, the Issuer and any other entity which has acceded or accedes to the intercreditor agreement as a debtor, the Security Agent, the Trustee, the lenders under the Super Senior Facilities Agreement and the agent under the Super Senior Facilities Agreement, as confirmed and/or amended from time to time which is described in more detail under "*Description of Certain Financing Arrangements—Intercreditor Agreement*";

- "**Issuer**" refers to RENK GmbH (formerly Rebecca BidCo GmbH);
- "**Original Notes Issue Date**" refers to July 13, 2020, the date of the issuance of the Original Notes;
- "**ITAR**" refers to the International Traffic in Arms Regulations;
- "**LCC**" refers to leading cost country;
- "**MiFiD II**" refers to Article 4(1) of Directive 2014/65/EU;
- "**MoD**" refers to ministry of defense;
- "**Modest Tree**" refers to the software company Modest Tree Media Inc., Halifax, Canada in which RENK Holding Canada Inc., Toronto, Canada acquired 17.54% of shares effective August 23, 2019;
- "**Notes**" means, unless indicated otherwise, the Additional Notes and the Original Notes, collectively, unless the context requires otherwise;
- "**Offering**" refers to the offering of the Additional Notes contemplated by this offering memorandum;
- "**OEM**" refers to original equipment manufacturers;
- "**Order Backlog**" refers to order backlog at the end of the period which represents with respect to binding customer contracts and purchase orders concluded and/or received the portion of the associated transaction price for which the amount of sales revenue has not yet been recognized in accordance with IFRS or US GAAP;
- "**Order Intake**" refers to binding customer contracts and purchase orders concluded and/or received in the respective reporting period at the respective price;
- "**Original Notes**" refers to the €320,000,000 aggregate principal amount of 5.75% senior secured notes due 2025 issued on the Original Notes Issue Date;
- "**Original Transactions**" refers to the Renk Acquisition, the issuance of the Original Notes and the entry into the Super Senior Facilities Agreement and the Intercreditor Agreement;
- "**Purchase Agreement**" refers to the purchase agreement to be dated on or about the date of this offering memorandum among the Issuer and the Initial Purchaser;
- "**R&D Costs**" refers to research and development costs as described under "*Summary—Strengths*";
- "**Renk Acquisition**" refers to the acquisition by the Issuer of shares in the former RENK AG under the Renk Acquisition Agreement, the Voluntary Public Takeover and the subsequent Squeeze Out;
- "**Renk Acquisition Agreement**" refers to the share purchase agreement, including any schedules and/or annexes attached thereto, entered into between the Issuer and Volkswagen Vermögensverwaltungs-GmbH on January 30, 2020;
- "**RENK Holding GmbH Group**" means RENK Holding GmbH (formerly Rebecca HoldCo GmbH) and its subsidiaries;
- "**Sellers**" refers to L3Harris Technologies, Inc. and L-3 Communications Holding GmbH;
- "**Shareholder Loan I**" refers to the (long-term) shareholder loan in an amount of €80.0 million extended by Triton to the Issuer in connection with the Original Transactions as described under "*Certain Relationships and Related Party Transactions—Shareholder Loan I*";
- "**Shareholder Loan II**" refers to the (short-term) shareholder loan in an amount of €40.0 million extended by Triton to the Issuer in connection with the Original Transactions, which (together with accrued interest thereon) was repaid on May 20, 2021, as described under "*Certain Relationships and Related Party Transactions—Shareholder Loan II*";
- "**Shareholder Loans**" refers to the Shareholder Loan I and the Shareholder Loan II;
- "**Sponsor**" or "**Triton**" refers to those investment funds managed and/or advised by Triton Investment Management Limited or any of its affiliates from time to time;
- "**Squeeze Out**" refers to the squeeze-out procedure pursuant to which the Issuer acquired the shares in former RENK AG from the minority shareholders following the acquisition by the Issuer of shares in the former RENK AG under the Renk Acquisition Agreement and the completion of the Voluntary Public Takeover Offer;
- "**Super Senior Facilities Agreement**" refers to the (i) €50.0 million revolving credit facility (the "**Cash RCF Facility**") and (ii) the €175.0 million multicurrency revolving letter of guarantee facility ("**L/G RCF Facility**"

and together with the Cash RCF Facility, the "**Super Senior Facilities**") under the Super Senior Facilities Agreement dated July 9, 2020, among, *inter alios*, the Issuer, as original borrower and the lenders named therein (as amended and restated from time to time), as further described in the "*Description of Certain Financing Arrangements—Super Senior Facilities—Cash RCF Facility*" and "*Description of Certain Financing Arrangements—Super Senior Facilities—L/G RCF Facility*";

- "**Target Business**" refers to the combat propulsion systems business of L3Harris Technologies, Inc. and all of the issued and outstanding ownership interests in L3 Magnet-Motor GmbH;
- "**Third Party Report**" refers to a third party industry report prepared by an international consulting firm commissioned by Triton, including the underlying sources and data used for the preparation of such report;
- "**Transactions**" refers to the Acquisition, the Equity Contribution by the Sponsor and the Offering, including the application of the proceeds therefrom as set out under "*Use of Proceeds*";
- "**US GAAP**" refers to United States generally accepted accounting principles;
- "**US Securities Act**" refers to the US Securities Act of 1933, as amended; and
- "**Voluntary Public Takeover Offer**" refers to the voluntary public takeover offer made by Rebecca BidCo GmbH (now RENK GmbH) to the shareholders of the former RENK AG for the acquisition of all shares held by them in cash pursuant to an offer document dated March 10, 2020.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Former RENK AG and RENK Holding GmbH

The Issuer was incorporated as Rebecca BidCo GmbH on January 2, 2020 in connection with the Renk Acquisition, the offer and issue of the Original Notes, the entry into the Super Senior Facilities Agreement and certain other transactions. On October 5, 2020, the Issuer changed its legal form to a German stock corporation (*Aktiengesellschaft*) under the name Rebecca BidCo AG. On February 15, 2021, the Issuer as surviving entity merged with the former Renk Aktiengesellschaft ("**former RENK AG**") with retrospective effect as of January 1, 2020 and, as a result of such merger, acquired all assets and assumed all liabilities of the former RENK AG. On April 14, 2021, the Issuer changed its legal form to a German limited liability company (*Gesellschaft mit beschränkter Haftung*) under the name RENK GmbH.

Prior to its merger with the former RENK AG, the Issuer was a holding company with no sales revenue-generating activities of its own, and did not have any business operations or material assets (other than its shareholding in the former RENK AG).

The audited consolidated financial statements, including the related notes thereto, of the former RENK AG as of and for the fiscal year ended December 31, 2019 (with comparative financial information as of and for the fiscal year ended December 31, 2018), included in this offering memorandum have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("**IFRS**") and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (*Handelsgesetzbuch*, *HGB*). The audited consolidated financial statements of the former RENK AG as of and for the fiscal year ended December 31, 2019, along with the independent auditor's report (*Bestätigungsvermerk des unabhängigen Abschlussprüfers*) of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft ("**PwC**") with respect thereto, and the unaudited condensed consolidated interim financial statements of the former RENK AG as of and for the three month period ended March 31, 2020, which have been prepared in accordance with IFRS as applicable for interim financial reporting (IAS 34), are included in this offering memorandum.

On February 15, 2021, the former RENK AG was merged into the Issuer (as the surviving entity) with retrospective effect as of January 1, 2020. Therefore, no historical consolidated financial information for the former RENK AG as of and for the fiscal year ended December 31, 2020 is available. The Issuer did not prepare audited consolidated financial statements. In this offering memorandum, we therefore include audited consolidated financial statements as of and for the short fiscal year ended December 31, 2020 and unaudited condensed consolidated interim financial statements as of and for the three month period ended March 31, 2021 of RENK Holding GmbH. The short fiscal year ended December 31, 2020 of RENK Holding GmbH comprises the period from January 2, 2020 to December 31, 2020, and includes the operations of the former RENK AG Group only from the date of the consummation of the Renk Acquisition in October 2020. RENK Holding GmbH is a holding company with no sales revenue–generating activities of its own, and has not and does not expect to have any business operations, material assets or liabilities other than its shares in FinCo, the direct holding company of the Issuer. FinCo is a holding company with no sales revenue–generating activities of its own, and has not and does not expect to have any business operations, material assets or liabilities other than its shares in the Issuer

The audited consolidated financial statements, including the related notes thereto, of RENK Holding GmbH as of and for the short fiscal year ended December 31, 2020, included in this offering memorandum have been prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (*Handelsgesetzbuch, HGB*). The audited consolidated financial statements of RENK Holding GmbH as of and for the short fiscal year ended December 31, 2020, along with the independent auditor's report of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft ("**EY**") with respect thereto, and the unaudited condensed consolidated interim financial statements of RENK Holding GmbH as of and for the three month period ended March 31, 2021, which have been prepared in accordance with IFRS as applicable for interim financial reporting (IAS 34), are included in this offering memorandum.

The consolidated financial statements of RENK Holding GmbH as of and for the short fiscal year ended December 31, 2020 include the operations of the former RENK AG Group only from the date of the consummation of the Renk Acquisition in October 2020 and on the basis of preliminary purchase accounting according to IFRS 3. Prior to that date, RENK Holding GmbH was a holding company without sales revenue-generating activities. The consolidated financial information of RENK Holding GmbH as of and for the short fiscal year ended December 31, 2020 included elsewhere in this offering memorandum is therefore not comparable to the consolidated financial information of the former RENK AG as of and for the fiscal years ended December 31, 2019 and 2018. For better comparability, the unaudited *as if* consolidated income statement and consolidated statement cash flows financial information for the former RENK AG for the twelve month period ended December 31, 2020 included in this offering memorandum therefore is presented as if the former RENK AG had not been merged into the Issuer with retrospective effect as of January 1, 2020 and had existed during the twelve month period ended December 31, 2020, and is derived from RENK Holding GmbH's internal accounting and reporting systems. The unaudited *as if* financial information for the former RENK AG Group does not take into account the effects of the Original Transactions (including the related financing) on the Group. The financial information with respect to the consolidated statement of financial position as of December 31, 2020 presented in this offering memorandum is taken or derived from RENK Holding GmbH's audited consolidated financial statements as of and for the short fiscal year ended December 31, 2020.

Combined Financial Statements of the Target Business

The combined financial statements, including the notes thereto, of the Target Business as of and for the fiscal years ended January 1, 2021 and January 3, 2020 as well as the combined financial statements as of and for the fiscal quarter ended April 2, 2021 and the fiscal quarter ended April 3, 2020 included in this offering memorandum have been prepared in accordance with generally accepted accounting principles in the United States ("**US GAAP**"). The combined financial statements of the Target Business as of and for the fiscal years ended January 1, 2021 and January 3, 2020 have been audited by Ernst & Young LLP. The combined financial statements of the Target Business reflect the combat propulsion systems business of L3Harris Technologies, Inc, including L3 Magnet Motor GmbH, and have been prepared by aggregating the financial information for the combat propulsion systems business, comprising the assets, revenues and expenses that management has determined are specifically attributable to the Target Business. These businesses do not constitute a separate legal entity or group.

The combined financial statements do not necessarily reflect the financial position, results of operations or cash flows of the Target Business if it had been a separate entity, or the future results of the Target Business as it will exist upon its acquisition by the Group. See "*Risk Factors—Risks Related to the Acquisition—The combined financial statements of the Target Business may not be representative of its future results.*"

For a complete description of the accounting principles followed in preparing the combined financial statements of the Target Business, please see note 1 "Basis of presentation and significant accounting policies" to the combined financial statements of the Target Business as of and for the fiscal years ended January 1, 2021 and January 3, 2020 included elsewhere in this offering memorandum.

General

The financial information marked as "audited" in tables in this offering memorandum is taken from the audited consolidated financial statements of the former RENK AG, RENK Holding GmbH and the audited combined financial statements of the Target Business mentioned above. Financial information marked as "unaudited" in tables in this offering memorandum is not taken from the respective audited consolidated financial statements or audited combined financial statements mentioned above and was either taken from the unaudited condensed consolidated interim financial statements of the former RENK AG, RENK Holding GmbH and the unaudited condensed combined interim financial statements of the Target Business mentioned above or the former RENK AG's, RENK Holding GmbH's or the Target Business' internal accounting or reporting systems or is based on calculations of figures of the above mentioned sources.

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

The financial information of RENK Holding GmbH Group for the twelve month period ended March 31, 2021, is unaudited and has been calculated by taking the consolidated income statement financial information of RENK Holding GmbH for the three month period ended March 31, 2021, and adding it to the *as if* consolidated income statement financial information of the former RENK AG for the twelve month period ended December 31, 2020, and subtracting the consolidated income statement financial information of the former RENK AG for the three month period ended March 31, 2020. The unaudited financial information of RENK Holding GmbH Group for the twelve month period ended March 31, 2021, is not required by or presented in accordance with IFRS or any other generally accepted accounting principles. This unaudited financial information is presented for illustrative purposes only and not necessarily representative of the Group's results of operations for such a period or any future period. In particular, the unaudited financial information of RENK Holding GmbH Group for the twelve month period ended March 31, 2021 only takes into account the effects of the Original Transactions (including the related financing) on the Group for the three month period ended March 31, 2021 and not for any other period included therein. The financial information of RENK Holding GmbH Group for the twelve month period ended March 31, 2021, has not been audited or verified by any auditor in accordance with any generally accepted accounting standards.

The financial information of the Target Business for the twelve month period ended April 2, 2021, is unaudited and has been calculated by taking the combined income statement financial information of the Target Business for the fiscal quarter ended April 2, 2021, and adding it to the combined income statement financial information of the Target Business for the fiscal year ended January 1, 2021 and subtracting the combined income statement financial information of the Target Business for the fiscal quarter ended April 2, 2020. The unaudited financial information of the Target Business for the twelve month period ended April 2, 2021, is not required by or presented in accordance with US GAAP or any other generally accepted accounting principles and has been prepared for illustrative purposes only. This unaudited financial information is not necessarily representative of the Target Business' results of operations for such a period or any future period. The financial information of the Target Business for the twelve month period ended April 2, 2021, has not been audited or verified by any auditor in accordance with any generally accepted accounting standards.

This offering memorandum includes certain unaudited financial information of RENK Holding GmbH for the twelve month period ended March 31, 2021 on an adjusted basis to give *pro forma* effect to the Transactions on indebtedness as if the Transactions had occurred on March 31, 2021 and on interest expense as if the Transactions and the Original Transactions had occurred on April 1, 2020. The unaudited as adjusted financial information as of and for the twelve month period ended March 31, 2021 of RENK Holding GmbH, has been prepared for illustrative purposes only and does not represent what RENK Holding GmbH's consolidated indebtedness or interest expense would have been had the Transactions and the Original Transactions, as applicable, occurred on March 31, 2021, or April 1, 2020, respectively; nor does it purport to project the RENK Holding GmbH's indebtedness or interest expense at any future date. The unaudited as adjusted financial information as of and for the twelve month period ended March 31, 2021, has not been prepared in accordance with IFRS or any other generally accepted accounting principles. Neither the assumptions underlying the adjustments nor the resulting as adjusted financial information as of and for the twelve month period ended March 31, 2021, have been audited or verified by any auditor in accordance with any generally accepted auditing standards.

From January 1, 2019, the former RENK AG applied IFRS 16 Leases for the first time in its consolidated financial statements as of and for the fiscal year ended December 31, 2019 which has an impact on its reported consolidated income statement, as well as consolidated statements of financial position and of cash flows. In implementing IFRS 16, the former RENK AG selected the modified retrospective approach as the transition method, which means that the comparison figures for 2018 are not restated in its consolidated financial statements as of and for the fiscal year ended December 31, 2019, and thus not comparable. In order to facilitate a comparison between periods, the details of the income statement and statement of financial position items affected by the implementation of IFRS 16 are summarized in "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Former RENK AG Group and RENK Holding GmbH Group—Accounting Standards Adopted from the Fiscal Year Ended December 31, 2019.*"

Unaudited Pro Forma Consolidated Financial Information

This offering memorandum includes *pro forma* consolidated financial information of RENK Holding GmbH for the periods from January 1, 2020 to December 31, 2020 and January 1, 2021 to March 31, 2021 (the "**Unaudited Pro Forma Consolidated Financial Information**").

The Unaudited Pro Forma Consolidated Financial Information is based on the following historical financial information:

- The audited consolidated financial statements of RENK Holding GmbH as of and for the short fiscal year ended December 31, 2020, which have been prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (*Handelsgesetzbuch*, *HGB*), publicly available and included in this offering memorandum.
- The unaudited condensed consolidated interim financial statements of RENK Holding GmbH as of and for the three month period ended March 31, 2021, which have been prepared in accordance with IFRS as applicable for interim financial reporting (IAS 34), included in this offering memorandum.
- The unaudited and unpublished consolidated income statement of the former RENK AG for the nine month period ended September 30, 2020, which have been prepared in accordance with the applicable recognition, measurement and consolidation principles of IFRS.

- The unaudited and unpublished combined income statement of the Target Business for the fiscal year ended January 1, 2021, prepared in accordance with the applicable recognition, measurement and consolidation principles of IFRS, which was derived from audited combined financial statements, of the Target Business as of and for the fiscal years ended January 1, 2021 and January 3, 2020, which have been prepared as if the Target Business were operated on a standalone basis during the periods presented in accordance with US GAAP, included in this offering memorandum.
- The unaudited and unpublished combined income statement for the three month period ended April 2, 2021 and the unaudited and unpublished combined statement of financial position as of April 2, 2021 of the Target Business, prepared in accordance with the applicable recognition, measurement and consolidation principles of IFRS, which were derived from the unaudited combined financial statements of the Target Business as of April 2, 2021 and January 1, 2021 and for each of the fiscal quarters ended April 2, 2021 and April 3, 2020, which have been prepared as if the Target Business were operated on a standalone basis during the periods presented in accordance with US GAAP, included in this offering memorandum.

The historical financial information underlying the Unaudited Pro Forma Consolidated Financial Information is prepared on the basis of IFRS and the accounting policies consistently applied by RENK Holding GmbH as described in the notes to the consolidated financial statements of RENK Holding GmbH as of and for the short fiscal year ended December 31, 2020 as well as the unaudited condensed consolidated interim financial statements of RENK Holding GmbH as of and for the three month period ended March 31, 2021.

The purpose of the Unaudited Pro Forma Consolidated Financial Information is to illustrate the material effects (i) the consummated Renk Acquisition and (ii) the contemplated Acquisition would have had on the historical consolidated financial statements of RENK Holding GmbH if the RENK Holding GmbH Group had already existed in the structure created by the Renk Acquisition and the Acquisition as of January 1, 2020 with respect to the unaudited pro forma consolidated income statements and as of March 31, 2021 with respect to the unaudited pro forma consolidated statement of financial position.

The Unaudited Pro Forma Consolidated Financial Information was prepared on the basis of the IDW Accounting Practice Statement: Preparation of Pro Forma Financial Information (*IDW AcPS AAB 1.004*) promulgated by the German Institute of Public Auditors (*Institut der Wirtschaftsprüfer in Deutschland e.V., IDW*).

The Unaudited Pro Forma Consolidated Financial Information is based on certain assumptions and is presented for illustrative purposes only. Due to its nature, the Unaudited Pro Forma Consolidated Financial Information describes only a hypothetical situation and, therefore, does not purport to represent what the actual results of operations or financial position of the RENK Holding GmbH Group would have been if the Renk Acquisition and the Acquisition had occurred on January 1, 2020 with respect to the unaudited pro forma consolidated income statements or the Acquisition as of March 31, 2021 with respect to the unaudited pro forma consolidated statement of financial position, nor is it necessarily indicative of RENK Holding Group's results of operations or financial position after the completion of the Acquisition. In addition, the Unaudited Pro Forma Consolidated Financial Information is necessarily not indicative of RENK Holding GmbH's future operating results or financial position. Therefore, RENK Holding GmbH Group's actual results of operations and financial position after the completion of the Acquisition may differ significantly from those reflected in the Unaudited Pro Forma Consolidated Financial Information. Furthermore, the Unaudited Pro Forma Consolidated Financial Information is only meaningful in conjunction with RENK Holding GmbH's historical consolidated financial statements as of and for the short fiscal year ended December 31, 2020 and unaudited condensed consolidated interim financial statements of RENK Holding GmbH as of and for the three month period ended March 31, 2021.

The Unaudited Pro Forma Consolidated Financial Information has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act. See "*Risk Factors—Risks Related to Our Business—The Combined Group's actual financial position and results of operations may differ materially from the Unaudited Pro Forma Consolidated Financial Information included in this offering memorandum*." In evaluating the Unaudited Pro Forma Consolidated Financial Information, you should carefully consider the Group's historical consolidated financial statements and the Target Business's historical combined financial statements included elsewhere in this offering memorandum.

Non-IFRS Financial Measures

This offering memorandum contains non-IFRS measures including EBITDA, EBITDA Margin, Adjusted EBITDA, Adjusted EBITDA Margin, Capital Expenditures, Free Cash Flow, Maintenance Capital

Expenditures, Cash Conversion, Net Working Capital and respective leverage ratios that are not required by, or presented in accordance with, IFRS or any other generally accepted accounting principles. These non-IFRS measures are defined as follows:

- "**Adjusted EBITDA**" is defined as EBITDA, as adjusted for certain items which management considers to be exceptional or non-recurring in nature.
- "**Adjusted EBITDA Margin**" is defined as Adjusted EBITDA divided by sales revenue.
- "**Capital Expenditures**" is defined as payments to acquire property, plant and equipment and intangible assets as shown in the Group's consolidated statement of cash flows.
- "**Cash Conversion**" is defined as Free Cash Flow (as defined below) divided by Adjusted EBITDA.
- "**EBITDA**" is defined as operating profit before depreciation, amortization and impairment losses on intangible assets and property, plant and equipment.
- "**EBITDA Margin**" is defined as EBITDA divided by sales revenue.
- "**Free Cash Flow**" is defined as Adjusted EBITDA minus Maintenance Capital Expenditures (as defined below).
- "**Maintenance Capital Expenditures**" is defined as the aggregate amount of capital expenditures minus capital expenditures for specifically dedicated growth or expansion projects.
- "**Net Working Capital**" is defined as (i) for the former RENK AG Group and RENK Holding GmbH Group, the total of inventories and customer receivables (comprising trade receivables and contract assets) less trade payables and prepayments (received) (comprising contract liabilities, non-current and current, excluding liabilities from customer prepayment receivables) and (ii) for the Target Business as the total of inventories, contract assets and receivables less contract liabilities and accounts payable.

The non-IFRS financial measures and related ratios contained in this offering memorandum should not be considered in isolation and are not measures of the Group's financial performance or liquidity under IFRS. They should also not be considered as an alternative to profit or loss after tax or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating, investing or financing activities or any other measure of the Group's liquidity derived in accordance with IFRS. Non-IFRS financial measures do not necessarily indicate whether cash flow will be sufficient or available for cash requirements and may not be indicative of the Group's results of operations.

In addition, certain non-IFRS financial measures, as the Group defines them, may not be comparable to other similarly titled measures used by other companies. We believe the non-IFRS financial measures presented in this offering memorandum represent useful indicators of its financial performance when read in addition to IFRS financial measures indicating the Group's financial performance. You should exercise caution in comparing the non-IFRS financial measures as reported by the Group to such measures, similar measures or adjusted variations thereof reported by other companies. It should be noted that the non-IFRS financial measures presented by the Group contained in this offering memorandum have not been audited or verified by any auditor and in some cases are based on management information and estimates.

Certain Combined and As Adjusted Financial Data of the Combined Group

This offering memorandum includes certain financial information of the Combined Group on a combined basis. Such combined financial information has been calculated by aggregating the relevant financial information of the Group with the relevant financial information of the Target Business. The combined information does not reflect any accounting or *pro forma* adjustments that may be required to present consolidated or *pro forma* financial information. See "Unaudited Pro Forma Consolidated Financial Information" for certain financial information which has been adjusted. The combined financial information is presented for illustrative purposes only and not necessarily representative of the Combined Group's results of operations for such a period or any future period. These amounts have not been audited, reviewed or verified by any auditor. This information is inherently subject to risks and uncertainties. As a result of the factors described above, investors should not place undue reliance on the combined financial information.

Financial Data and Other Data

Certain numerical figures set out in this offering memorandum, including financial data and operational volumes presented in million or thousand and percentages describing market shares and percentage changes, have been subject to rounding adjustments and, as a result, the totals of the data in this offering memorandum may vary slightly from the actual arithmetic totals of such information. The financial information and consolidated financial statements included in this offering memorandum are presented in euro. All financial figures presented in (round) brackets represent negative amounts.

INDUSTRY AND MARKET DATA

Market data and certain economic and industry data, forecasts used, and statements regarding the Group's position in the industry made, in this offering memorandum are based upon the Third Party Report as well as market research, government and other publicly available information, reports prepared by third-party industry consultants and independent industry publications. The information in this offering memorandum that has been sourced from third parties has been accurately reproduced and, as far as the Issuer is aware and able to ascertain from the information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. While the Issuer believes the statements included in such third-party publications to be reliable, it has not been independently verified, and neither the Issuer nor the Initial Purchaser make any representation or warranties as to the accuracy or completeness of such information set forth in this offering memorandum. Additionally, industry publications and such reports generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and in some instances state that they do not assume liability for such information. Some industry publications publish or provide projections or other forward-looking statements that, by their very nature, involve inherent risks and uncertainties and past projections or forward-looking statements have turned out to be inaccurate. See "*Forward-Looking Statements*." Neither the Group nor the Initial Purchaser can therefore assure you of the accuracy and completeness of such information as the Group has not independently verified such information.

In addition, certain information in this offering memorandum regarding the Group's industry and the Group's market position is not based on published statistical data or information obtained from independent third parties. Such information and statements reflect the Group's estimates based upon information obtained from trade and business organizations and associations, tender processes and contracts, and other contacts within the industry in which the Group competes, internal surveys, customer interviews and assumptions it deems reasonable, as well as information published by the Group's competitors. To the extent that information in this offering memorandum is identified as being the Group's belief, that information is based on the following: (i) with respect to industry trends, the Group's senior management's general business experience, as well as their experience in the Group's industry and the markets in which it operates, and (ii) with respect to the performance of the Group's operations, its internal analysis of its audited and unaudited financial and other information. As some of the foregoing information was compiled or provided by the Group's management and is not publicly available, such information accordingly may not be considered to be as independent as that provided by other third-party sources.

The COVID-19 pandemic has created significant uncertainty in the global environment and the industry in which the Combined Group operates. Certain reports and publications from which the Issuer obtained industry and market data that are used in this offering memorandum may not reflect the current or ultimate impact of the COVID-19 pandemic on its industry.

TRADEMARKS AND TRADE NAMES

The Group and the Target Business own or have rights to certain trademarks, trade names or service marks that it uses in connection with the operation of its business. The Group and the Target Business assert, to the fullest extent under applicable law, its rights to its trademarks, trade names and service marks. Each trademark, trade name or service mark of any other company appearing in this offering memorandum belongs to its holder. Solely for convenience, the trademarks, trade names and copyrights referred to in this offering memorandum are listed without the TM, © and ® symbols.

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

In this offering memorandum, all references to "**euro**," "**EUR**" or "**€**" are to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time, all references to "**US dollars**," "**USD**" and "**$**" are to the lawful currency of the United States of America.

The following table sets forth, for the periods indicated, the high, low, average and period end Bloomberg Composite Rate expressed as US dollars per €1.00. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this offering memorandum. Neither the Issuer nor the Initial Purchaser makes any representation that the euro amounts referred to in this offering memorandum have been, could have been or could, in the future, be converted into US dollars at any particular rate, if at all.

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

The Bloomberg Composite Rate of the euro at close of business on June 18, 2021 was $1.1875 per €1.00.

	Period end	Average	High	Low
	US dollars per €1.00			
Year				
2016	1.0547	1.1069	1.1527	1.0384
2017	1.2022	1.1297	1.2026	1.0427
2018	1.1469	1.1809	1.2509	1.1218
2019	1.1229	1.1195	1.1533	1.0903
2020	1.2289	1.1417	1.2289	1.0667
Month				
January 2021	1.2132	1.2173	1.2300	1.2075
February 2021	1.2080	1.2095	1.2213	1.1961
March 2021	1.1750	1.1899	1.2080	1.1718
April 2021	1.2027	1.1967	1.2118	1.1761
May 2021	1.2228	1.2143	1.2240	1.1994
June 2021 (through June 18, 2021)	1.1875	1.2120	1.2233	1.1875

SUMMARY

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

OVERVIEW

The Group, together with the Target Business (the "**Combined Group**") will form a leading global manufacturer of high quality automatic transmissions and engines, gear units, slide bearings, suspension systems, hybrid drive systems, couplings, and test systems. The Combined Group will serve a diverse range of end-markets with a particular focus on the defense sector, which benefits from stable revenues under long-term contracts and favorable growth trends. The Group believes that the combination of its technological capabilities and strong relations with customers in Europe and Asia combined with the Target Business's production footprint and deep partnership with the US Army will position the Combined Group to benefit from strong growth trends in the armored vehicles market.

For the twelve month period ended March 31, 2021, the Combined Group generated combined sales revenue of €781,831 thousand and a combined Adjusted EBITDA of €164,242 thousand.

RENK

The Group serves a diverse range of end-markets with a particular focus on armored vehicles, defense and civil marine, energy generation, cement production, plastics production, oil & gas, and other industries. The Group's products are, in many cases, mission-critical to its customers' end-products and require high quality and reliability. As a result, the Group is a trusted supplier of premium products and is involved at all critical stages of its customers' value chain, from engineering, to commissioning and aftermarket services. Long-term contracts in certain of its business units, in particular vehicle transmissions and Navy gearboxes provide stability of its sales revenue and operating profitability as well as a natural hedge during sudden economic downturns. In the twelve month period ended December 31, 2020, the former RENK AG Group generated *as if* sales revenue of €550,207 thousand and *as if* Adjusted EBITDA of €86,098 thousand.

The Group operates through four business units: Vehicle Transmissions, Special Gear Units, Standard Gear Units and Slide Bearings.

The *Vehicle Transmissions* business unit is one of the leading producers of fully automatic transmissions for medium- and heavy-weight tracked vehicles according to the Third Party Report as well as a producer of test rigs for various industrial end-markets. In 2019, the Group acquired the Horstman Group, a provider of armored vehicle suspension systems, which also added manufacturing capabilities in the United Kingdom and the United States in addition to this business unit's existing production operations in Germany and France. In the twelve month period ended December 31, 2020, the Vehicle Transmissions business unit generated 43.3% of the former RENK AG Group's *as if* total sales revenue and 71.0% of the former RENK AG Group's *as if* operating profit (before inter-business unit consolidation).

The *Special Gear Units* business unit comprises of the production of large gear units, ranging from stationary gear units for a variety of industrial applications to high-speed gear units mainly for the oil & gas sector and complex gear units for fast ferries, mega-yachts and naval applications. According to the Third Party Report, the Group is a global leader in naval applications and gear systems for combined propulsion systems. In the twelve month period ended December 31, 2020, the Special Gear Units business unit generated 30.5% of the former RENK AG Group's *as if* total sales revenue and 8.7% of the former RENK AG Group's *as if* operating profit (before inter-business unit consolidation).

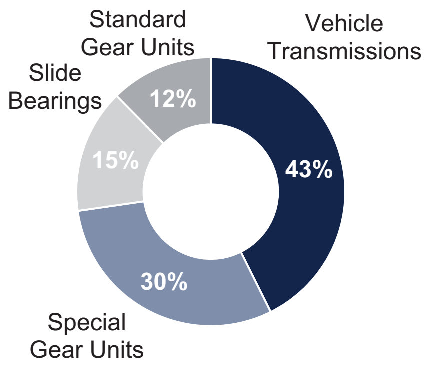
The *Standard Gear Units* business unit specializes in the production of marine gearboxes for merchant ships, ferries, LNG/LPG tankers, and other specialty ships, as well as stationary gearboxes and couplings for energy generation, oil & gas, and other industrial applications. This business unit is a technology player with a market leading position for large single and twin engine marine gear units. In the twelve month period ended

December 31, 2020, the Standard Gear Units business unit generated 12.5% of the former RENK AG Group's *as if* total sales revenue and 1.3% of the former RENK AG Group's *as if* operating profit (before inter-business unit consolidation).

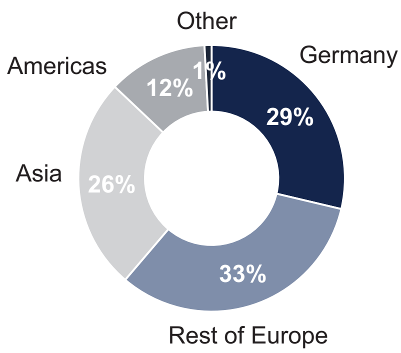
The *Slide Bearings* business unit primarily supplies hydro-dynamically lubricated slide bearings used in electric motors, generators, pumps, blowers, water turbines, conveyors and marine applications. The Group believes it is the global leader in E-bearings for electrical machines with a global distribution network. In the twelve month period ended December 31, 2020, the Slide Bearings business unit generated 15.2% of the former RENK AG Group's *as if* total sales revenue and 19.0% of the former RENK AG Group's *as if* operating profit (before inter-business unit consolidation).

The charts below provide an overview of the former RENK AG Group's *as if* total sales revenue by business unit (before inter-business unit consolidation) and split by geography for the twelve month period ended December 31, 2020:

Total sales revenue by business unit



Split by geography



The Group generates approximately half of its sales revenue from customers in the defense sector, which generally provides it with stable sales revenue streams based on a strong order book and long-term contracts. In addition, the Group benefits from positive secular trends in its key underlying markets. Spend for armored vehicles is expected to grow on the back of increasing geopolitical tensions and pressure on all NATO member states to increase their defense budgets to 2% of their respective GDP. The Navy market is expected to remain at current high levels. The Group's civil marine and industrial end-markets are at or close to the bottom of their respective cycles and the Group therefore believes that these have limited further downside from cyclicality. In addition to new equipment sales, the Group generates a significant portion of its sales revenue from recurring aftermarket business (more than one third of its *as if* sales revenue of the former RENK AG Group) by leveraging the Group's large and growing installed base across the entire product portfolio.

The Group has a diverse and loyal customer base characterized by long-standing customer relationships with blue-chip OEMs, including Fincantieri, General Dynamics, GE, KMW, Lockheed Martin, Rheinmetall, and Siemens, as well as government agencies, primarily in the defense sector. Complex technological requirements, coupled with required customer credentials and reliability assurances for mission-critical products support customers' loyalty to the Group as a trusted supplier and increase barriers to entry for new competitors. In addition, the Group's strong focus on R&D, together with its fully-owned and well-invested modern production facilities, allow the Group to meet high customer requirements with respect to quality, reliability and delivery of customized solutions.

The Group's competitive strengths are built on maintaining its leading technological positions in individual application areas, the Group's global presence in its relevant markets and its high level of service quality tailored to the needs of international customers. Combining the individual strengths and product expertise of the Group's individual business units enables the Group to realize synergies on large-scale projects.

Headquartered in Augsburg, Germany, the Group operates seven production sites and 13 branch offices around the world. Its production sites are located in Germany (Augsburg, Rheine, Hanover), Switzerland (Winterthur), France (Saint-Ouen-l'Aumône), the United Kingdom (Bath) and the United States (Sterling Heights). As of March 31, 2021, the Group had approximately 2,600 employees (including consolidated entities only), of which approximately 2,000 were located in Germany.

The Target Business

The Target Business is a leading supplier of transmission, engines and hybrid drive systems, particularly for the US armored vehicles market. The Target Business's products are almost exclusively used in the defense end-market. Further, the Target Business benefits from high revenue visibility through several long-term, sole-source agreements for key US Army platforms as well as a large installed base of approximately 17,500 vehicles globally, which provides the potential for aftermarket sales. L3 Magnet Motor GmbH is focusing on the development, design and manufacturing of high-performance electric power supplies and hybrid drive systems for military use. In the fiscal year ended January 1, 2021, the Target Business generated revenue from product sales and services of $236,433 thousand and an Adjusted EBITDA of $66,607 thousand.

The vehicle transmissions business represented approximately 73% of the Target Business's revenue from product sales and services in the fiscal year ended January 1, 2021. Approximately 89% thereof related to new system sales whereas the remainder related to aftermarket sales and services. Key platforms in the transmissions business include the Bradley Fighting Vehicle (customer: US Army), a tracked fighting vehicle platform, the Armored Multi-Purpose Vehicle (customers: US Army and BAE Systems), an armored personnel carrier and the Paladin Integrated Management (PIM) program (customer: US Army), a self-propelled howitzer upgrade program.

The engines business represented approximately 22% of the Target Business's revenue from product sales and services in the fiscal year ended January 1, 2021. Approximately 47% thereof related to new system sales whereas the remainder related to aftermarket sales and services. Key platforms in the engines business include the M88A2 (customer: US Army), an armored recovery vehicle, the NAMER (customer: Israel Ministry of Defense), an armored personnel carrier, an armored personnel carrier and the Merkava I and II (customer: Israel Ministry of Defense), a main battle tank.

The hybrid drive systems business represented approximately 5% of the Target Business's revenue from product sales and services in the fiscal year ended January 1, 2021. Approximately 95% thereof related to new system sales whereas the remainder related to aftermarket sales and services. It mainly engages in engineering of hybrid solutions for land vehicles and marine vessels. It also has one production order for the Hawkei (customer: Thales), a light, wheeled protected vehicle.

The Target Business has long-term relationships with many of its key customers, such as the US Army, the Israel Ministry of Defense, BAE and Thales. It is particularly focused on the US market, where the Group has a limited presence prior to the consummation of the Acquisition.

The Target Business's headquarter is located in Muskegon, Michigan, where it operates a 930,000 square feet. vertically integrated production facility as well as two test tracks. The Muskegon site is focused on the development and production of transmissions and engines for armored vehicles. In addition, the Target Business maintains a research, production and test facility in Starnberg, Germany, where it focuses on hybrid drive systems for armored vehicles and navy vessels. In the fiscal year ended January 1, 2021, the Target Business generated approximately 80% of its revenue from new vehicles and approximately 20% of its revenue from existing vehicles.

As of December 31, 2020, the Target Business had approximately 400 employees, of which approximately 360 were located in the United States and approximately 40 were located in Germany.

STRENGTHS

The Group believes the Combined Group will benefit from the following competitive strengths.

Industry-leading supplier of high-quality components and systems.

The Combined Group will form an industry leading supplier of high quality automatic transmissions and engines, gear units, suspension systems, hybrid drive systems, slide bearings, couplings, and test systems, serving a diverse range of industries and end-markets. It will also expand its position in transmissions and gain a foothold in the market for engines for armored vehicles. The Group is an innovation leader with superior technical capabilities and a supplier of high quality components. The Group maintains leading positions across its core markets in highly specialized product categories with a unique product offering. According to the Third Party Report, each of the Group business units is among the top four providers in its respective addressable markets in terms of market share measured by sales revenue. According to the Third Party Report, the Vehicle Transmissions business unit is a leading producer of fully automatic transmissions for medium- and heavy-weight tracked vehicles, the Special Gear Units business unit is a global leader in naval applications, including gear systems for combined propulsion systems, and the Standard Gear Units business unit holds market leading positions in large single and twin engine marine gearboxes. The Group also believes that the Slide Bearings business unit is the global leader in E-bearings for electrical machines. The Group further believes that the Target Business is a well-established supplier to the US Army and international customers. Through its hybrid drive systems business, the Target Business is also active in the attractive market for high-performance electric power supply systems and hybrid drive systems for military vehicles, which the Group expects to grow as modern military vehicles require more electric power given more complex electronic systems.

The Combined Group's products are, in many cases, mission-critical to its customers' respective end-products and require the highest quality and reliability. Superior product quality, engineering capabilities, customer integration and innovation are therefore key to its business model and paramount to its success. The Group believes its strong innovation capabilities and technology leadership are among its key competitive strengths and that its product innovations have formed the backbone of its success for many decades. Moreover, the Group's commitment to the highest industry quality and technological standards are underlined by its innovation pipeline and its continuous investments in research and development ("**R&D**") and technology to remain an innovation leader in its end-markets and sectors. The Combined Group's ability to innovate is supported by more than 400 people (as of April 30, 2021) dedicated to R&D and design and is demonstrated by a large innovation pipeline of new products supporting future growth. The former RENK AG Group incurred *as if* €14,964 thousand in research and development costs ("**R&D Costs**") in the twelve month period ended December 31, 2020 for the development of new and existing products and technology. In addition, the Group conducts similar research and development activities on an order-specific basis depending on its customers' demands and needs. These costs are recognized within the Group's cost of sales and are assigned to the respective customer order. These costs amounted to approximately 1.5 times the former RENK AG Group's *as if* R&D Costs in the twelve month period ended December 31, 2020. In addition, the Group has established close co-operations with its customers and universities and has access to a broad network of relevant associations (*e.g.,* VDMA, FVA) in order to be able to closely follow and shape technological developments.

Diversified end-markets with positive underlying growth trends.

The Group serves a diverse range of end-markets with its products, including, in particular, armored tracked vehicles, marine (Navy and civil) applications, energy generation and the cement and oil & gas industries. As a result, the Group generates approximately half of its sales revenue from customers active in the defense sector, which has historically provided it with stable revenue streams based on strong order books and long-term contracts. The Target Business's products are used almost exclusively in the defense end-market. As a result, following the completion of the Acquisition, the share of sales revenue generated from customers active in the defense market is expected to increase further to more than two thirds of the combined sales revenue.

Defense spending has recently been increasing after years of budget cuts. According to a leading prime contractor, the global market for military equipment is entering a "super-cycle" driven by the underlying increase in demand for defense applications in response to global political tensions and pressure on all NATO member states to increase defense budgets to 2% of their respective GDP. The market growth for stationary gearboxes for industrial applications, including cement, energy generation, and oil & gas as well as gearboxes for civil marine applications is expected to develop steadily from low levels. The Group also intends to capitalize on its large and growing installed base and know-how to increase the share of its aftermarket revenues across all end-markets. In addition, following the turmoil in the oil & gas industry in the first half of 2020, oil prices have recovered swiftly as demand picked up driven by lockdown measures being eased in China and the United States and as COVID-19 vaccination campaigns progress. Historically, the Group has also successfully demonstrated growth through new product developments independent of underlying markets.

Significant growth in addressable defense markets is also expected due to the general need for modernization. The vehicle transmissions market for both new transmission units and aftermarket offerings in the Group's current and additional addressable geographies is attractive with an estimated volume of approximately €500 million according to the Third Party Report. The same report estimates the currently and additionally addressable market to grow at approximately 10 to 11% per annum between 2020 and 2024. The engine market for both new units and aftermarket offerings in the Group's and the Target Business' addressable geographies is closely related to the transmission market from a size and growth perspective, with both products together being the core of the vehicle's drive train. In addition, aging military fleets and long order times are directly leading to higher maintenance requirements and spend. Following the acquisition of the Horstman Group, a provider of suspension systems for armored vehicles, in 2019 and the Target Business in 2021, the Combined Group will be active in the multi-billion dollar US armored vehicle market, which the Group could not previously access . In addition, the Group has gained manufacturing sites in the United Kingdom, the United States and Germany.

According to the Third Party Report, the Navy market is expected to remain at high levels driven by high international demand for new shipbuilding programs. The Navy market is attractive with commissioned Navy vessels in the Group's currently and additionally addressable geographies representing an order value of completed vessels of approximately €18 billion in 2019 according to the Third Party Report. The same report estimates the market to grow by approximately 5-6% per annum between 2020 and 2024 to approximately €23 billion in 2024. The value share of gear boxes in completed vessels varies by type of vessel. The Navy market is relatively stable due to many countries seeking to renovate their fleets, including Germany and certain Asian countries. The Group believes that it is well-positioned to benefit from the trends in the Navy market given that it is a global leader in the Navy gearbox market with a market share of approximately 30% according to the Third Party Report, whereby localization will become increasingly important. In addition, the trend towards electrification of propulsion systems is expected to gain traction, where the Group is well placed with its AED (Advanced Electric Drive) and hybrid propulsion systems offerings.

Long-term contracts in defense segments, in particular vehicle transmissions and Navy gearboxes, together with recurring sales revenue streams from the Group's aftermarket business, provide stability of its sales revenue and operating profitability as well as a natural hedge during sudden economic downturns. In addition, the Target Business benefits from several sole-source supplier contracts for key US Army platforms, which provide strong sales revenue visibility. Further, complex technological restrictions in replacing the Target Business's unique technology on incumbent platforms also increases barriers to entry for new competitors. Following the Acquisition, the Combined Group would also gain access to growth trends in power generation given the increasing use of complex electronic systems. Furthermore, the industries the Group's products serve and the companies active in those industries follow different economic cycles and pursue investment strategies at different times, which also contributes to a degree of cash flow stability and, the Group believes, helps to limit its exposure to adverse macroeconomic changes in any particular market segment.

Recurring revenues from large installed product base and aftermarket service offerings.

In addition to product sales, the Group generates approximately a third of its (*as if*) sales revenue through aftersales and service offerings by leveraging its large and growing installed product base across the entire product portfolio. The Group's aftersales business generally provides for a stable sales revenue stream and higher margins than for new business.

The Group's longstanding leading market positions have allowed it to achieve a large and growing installed base, which provides the Group with the potential for recurring and stable sales revenue streams. Through the acquisition of the Target Business, the Group would further gain access to the aftersales service market for several key US and international armored vehicle platforms, which the Group estimates represents an installed base of approximately 17,500 vehicles. Moreover, the Group believes further penetration, particularly of its own installed base, provides further upside for its aftermarket sales revenue. The Group believes its aftermarket offering delivers high quality products and services, is strategically located in close proximity to its core addressable markets and customers, benefits from strong relationships with OEMs and end-customers as well as very knowledgeable field service engineers with strong technical capabilities. In addition, the Group believes that it is well-placed to benefit from a continued increase in digital service revenues following its investments in Modest Tree and digital technology in recent years.

Strong product pipeline from long-term customer relationships

The Group has a diverse and loyal customer base characterized by long-standing customer relationships with blue-chip OEMs, including Fincantieri, General Dynamics, GE, KMW, Lockheed Martin, Rheinmetall, and Siemens and following the acquisition of the Target Business, BAE Systems, General Dynamic Land Systems and Thales, as well as government agencies, primarily in the defense sector, including the Bundeswehr, Israel Ministry of Defense, the French Armée de Terre and, following the acquisition of the Target Business, the US Army. In particular, following completion of the Acquisition, the Group believes that it will be strategically positioned for the large next generation combat vehicle program of the US army due to its combined production footprint and technological capabilities. The Group believes it is a trusted supplier of premium products and maintains deeply integrated relationships with its customers whom it supports over long product lifecycles based on its ability to deliver superior quality as well as reliable custom-made solutions. In addition, transmission systems and engines are highly complex, mission critical parts in the vehicles the Combined Group supplies. Due to the bespoke nature, costs and complexity of these systems, these systems and their suppliers are typically not replaced with alternative products or suppliers during the life-time of a platform.

The Group also believes it is well-positioned to leverage its strong project pipeline and to win further business. The pipeline for the Vehicle Transmissions business unit is backed by ongoing projects as well as new programs currently under development. The Group believes it has strong visibility over the medium term for projects with a high probability and that its strong market position and presence in many of the most relevant armored vehicle platforms increases the likelihood of winning further lots and new platforms. Platform projects ensure long-term and predictable sales revenue and earning streams.

Additionally, the Group believes it is also well-placed to execute projects in its Navy gearbox pipeline on the back of strong engineering capabilities. The Group believes there is typically a high likelihood of follow-on contracts after projects end due to its strong track record and established long-term relationships with shipyards and MoDs. In addition, the Group believes there is a high realization probability in countries where it has previously closely collaborated with shipyards (in particular in Germany, the United States and South Korea) or where the design of the ship is based on a former design which incorporates the Group's solution and know-how.

Well-invested and global operational footprint.

The Group's and the Target Business' combined global footprint includes nine production sites and 13 branch offices around the world. The Group's production sites are located in Germany (Augsburg, Rheine, Hanover and Starnberg), Switzerland (Winterthur), France (Saint-Ouen-l'Aumône), the United Kingdom (Bath) and the United States (Muskegon and Sterling Heights). The Group has been present in many of its locations for many years and it is continuing to expand, particularly in markets where meeting local content requirements will further increase its chances of winning new projects. The Group has assembly or production facilities in close proximity to its customers in order to allow for short lead times, where required. The Group owns and operates well-invested manufacturing facilities with modern machinery setups, and the Group's production sites have fully-integrated engineering and production capabilities. For example, in 2018 and 2019, the Group established a logistics center in Oberottmarshausen, Germany, commenced its significant capacity expansion program in Augsburg and invested in the acquisition of the Horstman Group and a participation in Modest Tree.

The Group's four core production sites (Augsburg, Rheine, Hanover and, following the Acquisition, Muskegon) include the following highlights: well-invested manufacturing facilities with little additional investment requirements apart from the current expansion in Augsburg, technically strong and very versatile production capabilities, and strong integration of enterprise resource planning systems in production. Based on the Group's significant investments in recent years and available manufacturing capacity, the Group is planning for limited additional capital expenditures over the medium term.

High revenue visibility from significant order backlog

The former RENK AG Group has demonstrated strong growth performance with sales revenue increasing from €502 million for the fiscal year ended December 31, 2018 to €550 million *as if* sales revenue for the former RENK AG Group for the twelve month period ended December 31, 2020, mainly driven by the acquisition of Horstman and growth in the Group's aftersales and services businesses.

The Group believes its future performance is supported by its strong Order Backlog, which creates high visibility on future earnings development. As of March 31, 2021, the RENK Holding GmbH Group's Order Backlog amounted to €1,064 million, including €647 million in the Vehicle Transmissions business unit, €342 million in the Special Gear Units business unit, €45 million in the Standard Gear Units business unit and €38 million in the Slide Bearings business unit. The Vehicle Transmissions business unit and Navy gearboxes from the Special Gear Units business unit are the largest contributors to the Group's total Order Backlog due to the long project lead times in defense applications. There are generally shorter lead times in commercial applications served by the Special Gear Units, Standard Gear Units and Slide Bearings business units. The Target Business' Order Backlog amounted to €293 million as of April 2, 2021, bringing the aggregated Order Backlog for the Combined Group to €1,357 million as of the same date. The Combined Group's strong and growing Order Backlog is expected to generate future sales revenue over the coming years.

Attractive margins and free cash flow profile

The Group maintains an attractive margin and Free Cash Flow profile, as shown by its strong Free Cash Flow generation and Cash Conversion. The former RENK AG Group's Adjusted EBITDA margin has increased from 14.8% for the fiscal year ended December 31, 2018 to 15.0% for the fiscal year ended December 31, 2019 and 15.6% (*as if* for the former RENK AG Group) for the twelve month period ended December 31, 2020 respectively. The former RENK AG Group's *as if* Adjusted EBITDA margin for the twelve month period ended December 31, 2020 exceeded the Adjusted EBITDA margin for the fiscal year ended December 31, 2019 due to a favorable product mix with a large share of high margin aftermarket activity. Over the same period, the former RENK AG Group's Free Cash Flow (calculated as Adjusted EBITDA minus Maintenance Capital Expenditures) increased from Free Cash Flow of €50,455 thousand in the fiscal year ended December 31, 2018 to €63,801 thousand in the fiscal year ended December 31, 2019, and remained stable at €63,999 thousand (*as if* for the former RENK AG Group) in the twelve month period ended December 31, 2020. The Group's Cash Conversion followed a similar trend amounting to 67.8%, 76.3% and 74.3% (*as if* for the former RENK AG Group) for the fiscal year ended December 31, 2018, the fiscal year ended December 31, 2019 and the twelve month period ended December 31, 2020, respectively.

The Group is expected to be able to strengthen its financial profile following the Acquisition. The Target Business achieved a comparatively higher Adjusted EBITDA margin of 28.2% and Cash Conversion of 94.7% for the fiscal year ended January 1, 2021.

Proven management team with significant industry experience.

The Issuer's management team has significant industry experience and the expertise to lead the Group's future growth strategy as it has demonstrated strong leadership and its ability to execute corporate strategies in their prior positions held. Senior management is supported by experienced business unit management teams, which, in turn, are further supported by strong local teams. This management team is very experienced with more than 26 years of relevant industry experience on average. The Issuer believes that the industry knowledge and leadership skills of its management team, combined with its long-term management experience, provides it with a significant competitive advantage and also positions it favorably for profitable future growth. Further, following the consummation of the Acquisition, the Group also intends to leverage the market expertise and business relationships of existing senior management of the Target Business, particularly in the US armored vehicle market.

In addition, the Group intends to continue to draw from the market expertise, business relationships, knowledge and experience of its Sponsor. The Sponsor has strong industrial manufacturing expertise and a strong track record of driving cost savings and improvements in margin, while at the same time growing its portfolio companies both organically and through targeted acquisitions. For example, following completion of the Renk Acquisition, the Group, with the support of an external advisor, has commenced a procurement improvement initiative with a short-term target of single-digit million cost savings annually.

STRATEGY

In order to achieve the Group's long-term goal of profitable growth and to maintain its innovation and technology leadership position, the Group pursues a strategy which is based on four pillars: internationalization, operational excellence, innovation and customer focus. These key strategic pillars translate into individual strategic initiatives at the business unit level. In addition, the Group intends to further enhance its overall aftersales and services offerings through continued penetration of its large and growing installed base by leveraging its engineering strengths and enhancing its pro-active service approach.

Furthermore, the Group intends to continue to advance the development and application of digital solutions, both in its own production and processes as well as by expanding its product and service portfolio to include more digital solutions. The Group believes that the increased use of digital solutions (such as digital engineering) has the potential to maintain lean and efficient development and production processes. In relation to its customers, the Group intends to unlock revenue potential with existing customers by offering new digital solutions such as live condition monitoring, preventive maintenance or virtual and augmented reality trainings.

Vehicle Transmissions

The Group remains focused on expanding its strong positions with customers in existing markets and on continuing to enter and expand in new markets through strategic partnerships, mergers & acquisitions and local production capabilities. The Group expects its product innovations to support its expansion, which include amongst others autonomous driving (drive-by-wire) solutions for armored vehicles, integrated mobility solutions combining engines, transmission, final drives and / or suspensions, and state-of-the-art hydro-pneumatic and active suspension solutions. The Group is also in the process of further expanding and realigning the production and assembly of vehicle transmissions to optimize costs including the ongoing expansion program in Augsburg due to which production is expected to be ramped up in the second half of 2021. Additionally, the Group aims to expand its aftersales business, including through an increase of its installed base and an even more pro-active service approach.

For the Test Systems business, the Group is continuing to develop and expand its international presence through existing RENK subsidiaries (*e.g.,* South Korea, India) and sales representatives as well as sales partnerships. The Group's innovation focus is primarily on developing test bench solutions for commercial, agricultural, off-highway and other specialty vehicles as well as for aviation and high-speed railway applications. The Group's customer focus strategy is the continuous expansion of its aftersales business.

The Acquisition provides the Group with a unique opportunity to enter the multi-billion dollar US armored vehicle market. The Combined Group will be strategically positioned for the large next-generation-combat-vehicle program of the US army due to its combined production footprint and technological capabilities. The Target Business's transmissions business is expected to allow the Group to expand into the US medium-weight class market. It also comes with an installed base of approximately 6,600 transmissions providing significant ongoing service and spare parts demand. Additionally, the Target Business's engines business provides increased cross-selling potential for the Group's products. Furthermore, through the Target Business's hybrid drive systems business, the Combined Group will be active in an attractive market for high-performance electric power supply systems and hybrid drive systems for military vehicles, which the Group expects to grow with modern military vehicles.

Finally, the Group believes that the Acquisition will provide it with the potential to realize synergies and cost savings with an estimated mid-single million digit Adjusted EBITDA effect in the mid-term. Potential cost savings and synergies for the Combined Group include the opportunity to insource certain services and products that are currently procured from third parties and thereby internalizing the margin on these services and products.

Special Gear Units

With respect to internationalization, the Group is primarily focused on continuing to grow its subsidiaries in China, India and South Korea while also increasing localization in key Navy markets such as the United States and India. A range of new product innovations is intended to support the Group's expansion and future growth. They include new electric and digital solutions for Navy propulsion systems as well as variable speed powertrain systems for compressors and pumps, advanced gearbox solutions for vessels with low noise requirements and a 2-speed gearbox for plastic extrusion. Operational initiatives primarily relate to measures to optimize internal processes and reduce manufacturing costs and lead times in the Augsburg plant as part of our Excellence 2022 initiative in addition to increased sourcing from leading cost countries ("**LCCs**"). Finally, the Group continues to enhance its customer focus by providing entire system integration solutions for Navy applications, an online portal for spare parts as well as an expansion of the Group's overall aftersales business for Navy and industrial gearboxes.

Standard Gear Units

The Group aims to expand its international footprint by increasing the localization of production activities in India and China, as well as through the development of an international service structure and an improved mix of global and local sourcing activities. The primary innovation initiatives to support the Group's future growth include the development of high-volume products such as couplings for the rail and wind markets and drive components for the oil & gas markets, new electric hybrid system solutions for civil marine applications and the expansion of the product portfolio for industrial applications. The Group also aims to increase its market share in the industrial and oil & gas markets in Eastern Europe and Russia through targeted sales initiatives. The primary operational excellence measures comprise of the Group's efforts towards improved product cost controlling, continuous design optimization of existing products as well as the simplification and digitalization of order processing. With respect to customer focus, the Group is implementing design-to-cost measures to continuously improve product costs.

Slide Bearings

The Group intends to continue to internationalize primarily by expanding its existing satellite locations and establishing additional ones, to support new and existing customers. The Group's innovation initiatives are mainly focused on the development of laser deposition welding capabilities in its production and alternative bearing coatings as well as entering the bearings market for wind power generation and for high-speed machinery. To enhance the Group's operations, it remains focused on cost-reduction initiatives such as design-to-cost measures, increasing economies of scale and expanding the international procurement network in additional LCCs. In addition, the Group aims to enhance local just-in-time component stocking in certain key markets. In terms of customer focus, the Group aims to expand its spare parts business and add competence centers for repairs and service close to customers.

THE TRANSACTIONS

On March 1, 2021, the Issuer as purchaser and L3Harris Technologies, Inc. and L-3 Communications Holding GmbH as sellers entered into an asset and stock purchase agreement (the "**Acquisition Agreement**") for the acquisition of the combat propulsion systems business of L3Harris Technologies, Inc. and all of the issued and outstanding ownership interests in L3 Magnet-Motor GmbH (collectively, the "**Target Business**"). Pursuant to the Acquisition Agreement, the purchase price for the Target Business amounts to \$397.9 million subject to a locked-box purchase price adjustment. Pursuant to the locked-box purchase price mechanism agreed under the Acquisition Agreement, the purchase price is calculated as the agreed base consideration plus the agreed ticking fee and is reduced by the net cash flow generated by the Target Business from January 1, 2021 until the Acquisition Closing Date, adjusted for certain notified cash leakage items

Closing of the Acquisition is subject to several conditions, including receipt of antitrust and other regulatory approvals. As of the date of this offering memorandum, the Issuer and the Sellers have obtained all approvals required for the closing of the Acquisition. On June 14, 2021, the Issuer and the Sellers entered into an amendment agreement to the Acquisition Agreement, pursuant to which the satisfaction of certain conditions precedent to closing is acknowledged and the closing shall take place on July 2, 2021.

The funding sources for the Acquisition and the related fees and expenses consist of:

- the proceeds from the issuance of the Additional Notes;
- cash on hand; and
- an investment from the Sponsor in the form of equity or similar instruments totaling an estimated €41.6 million, the proceeds of which have been or will be contributed to the Issuer (the "**Equity Contribution**").

The sources and uses necessary to consummate the Acquisition and to pay the related transaction costs and expenses are shown in the table below. Actual amounts are subject to adjustment and may differ from estimated amounts at the time of the consummation of the Acquisition, depending on several factors, including the amount of certain cash flows realized by the Target Business until the Acquisition Closing Date and differences from the Issuer's estimate of fees and expenses. This table should be read in conjunction with "*Use of Proceeds*" and "*Capitalization.*"

Sources	in € million	Uses	in € million
Additional Notes offered hereby(1)	200.0	Acquisition consideration(3)	303.3
Cash on hand	72.0		
Equity Contribution(2)	41.6	Transaction costs(4)	10.3
Total Sources	**313.6**	**Total Uses**	**313.6**

(1) Reflects the expected gross proceeds from the issuance of the Additional Notes at an issue price of 100.0%.

(2) Represents the estimated investment from the Sponsor in the form of equity capital or similar instruments, which will be contributed through intermediate holding companies to the Issuer.

(3) Represents the estimated consideration payable under the Acquisition Agreement on July 2, 2021 and a foreign exchange rate of \$1.2025 per €1.00. Pursuant to the locked-box purchase price mechanism agreed under the Acquisition Agreement, the purchase price is calculated as the agreed base consideration plus the agreed ticking fee and is reduced by the net cash flow generated by the Target Business from January 1, 2021 until the Acquisition Closing Date, adjusted for certain notified cash leakage items. The Issuer estimates that, as of May 31, 2021, the locked-box mechanism would have resulted in a reduction of the consideration payable under the Acquisition Agreement by approximately \$33 million. The actual consideration payable under the Acquisition Agreement may be different due to, among other things, changes in the foreign exchange rate or the net cash flow generated by the Target Business until the Acquisition Closing Date. Any change in the acquisition consideration compared to the estimate set forth above will be funded from cash on hand or reduce the amount of cash on hand used, as applicable.

(4) Estimated fees and expenses associated with the Transactions, which includes estimated underwriting fees, commitment and financial advisory fees, commissions, legal and other professional fees and other costs and expenses related to the Transactions. Actual transaction costs may differ.

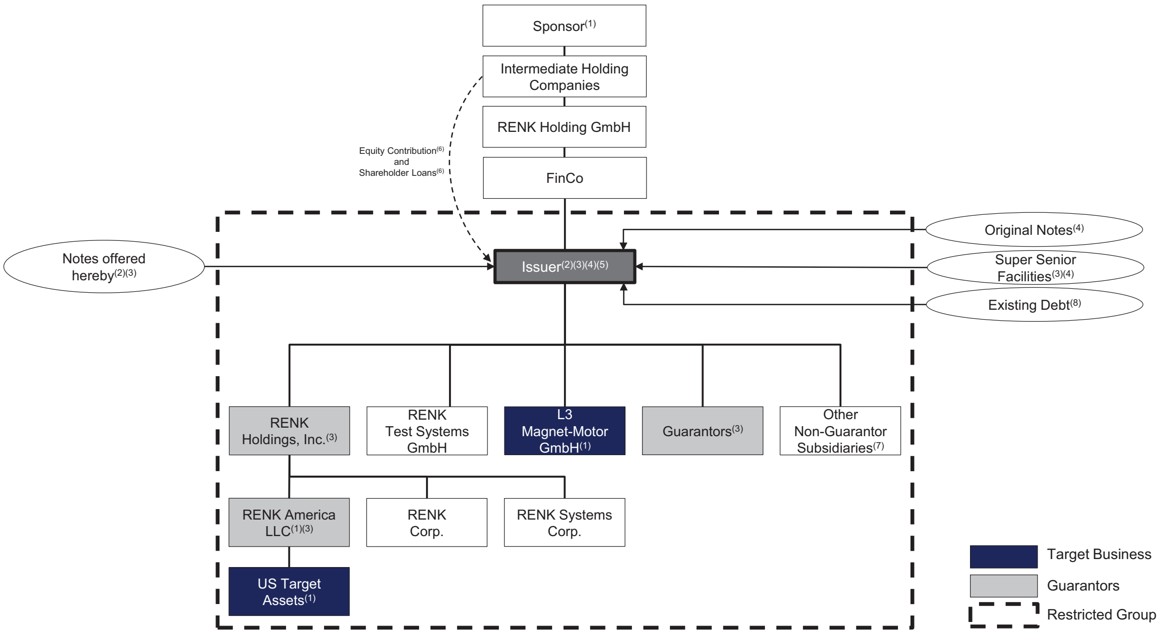
TRADING UPDATE

Based on preliminary management accounts, the Group estimates that (i) its sales revenue for the two months April and May 2021 amounted to approximately €99 million, compared to approximately €95 million for the two months April and May 2020, primarily due to higher deliveries and strong aftermarket activity in the Vehicle Transmissions business unit, (ii) its Adjusted EBITDA for the two months April and May 2021 amounted to approximately €22 million compared to approximately €18 million for the two months April and May 2020, primarily due to a favorable product mix and (iii) its Order Backlog as of May 31, 2021 amounted to approximately €1,037 million compared to €1,064 million as of March 31, 2021 driven by strong Order Intake in the Special Gear Units business unit which was offset by lower Order Intake in the Vehicle Transmissions business unit.

The foregoing preliminary financial information is based on preliminary internal unaudited consolidated monthly management accounts as of and for the months of April 2021 and May 2021, with comparative financial information for the months April 2020 and May 2020, respectively, which were prepared by and are the sole responsibility of the Group's management. This financial information has not been audited, verified or the subject of any procedures by any auditor. The foregoing preliminary financial information is inherently subject to material modification during the preparation of RENK Holding GmbH's condensed consolidated interim financial statements as of and for the six months ending June 30, 2021 or consolidated financial statements as of and for the twelve months ending December 31, 2021. While the Group believes the foregoing financial information to be reasonable, actual results could vary materially and you should therefore not place undue reliance on such financial information. The presented preliminary financial information is not representative of any six-month or twelve-month period results of operations and should not be regarded as an indication, forecast or representation by the Issuer or any other person regarding the Group's future financial performance for the six months ending June 30, 2021 or the fiscal year ending December 31, 2021. See "Forward-looking Statements" and "Risk Factors" in this offering memorandum for a more complete discussion of certain factors that could affect the Group's future performance and results of operations.

OVERVIEW OF THE GROUP'S CORPORATE AND FINANCING STRUCTURE

The following diagram depicts, in simplified form, the Group's corporate and financing structure adjusted to give effect to the Transactions as set forth under "Summary—The Transactions" and "Use of Proceeds." The diagram does not include all entities in the Group, nor all of the debt obligations thereof. For a summary of the Group's material financing arrangements, see "Description of Certain Financing Arrangements" and "Description of the Notes."



(1) Investment funds managed and/or advised by Triton indirectly hold 100% of the shareholding of the Issuer. Following consummation of the Acquisition, the Issuer will directly hold 100.0% of the issued capital in L3 Magnet-Motor GmbH and indirectly, via its subsidiary RENK America LLC, 100.0% of the combat propulsion systems business of L3Harris Technologies, Inc. (together with L3 Magnet-Motor GmbH, the "**Target Business**"). On the Acquisition Closing Date, the Issuer will use the proceeds from the Offering of the Additional Notes, the Equity Contribution and cash on hand to fund the consideration for the Acquisition and related transaction costs. See "*Summary—The Transactions*," "*Use of Proceeds*," and "*Capitalization.*"

(2) The Issuer is offering (the "**Offering**") €200,000,000 aggregate principal amount of its 5.75% senior secured notes due 2025 (the "**Additional Notes**"). The Additional Notes will have the same terms and conditions as the Issuer's existing €320,000,000 5.75% senior secured notes due 2025 (the "**Original Notes**") and will be issued under the indenture dated July 13, 2020 (as amended and/or supplemented from time to time, the "**Indenture**"). The Additional Notes will have the same terms as the Original Notes and will be treated as a single class for all purposes under the Indenture, including without limitation, waivers, amendments, redemptions and offers to purchase, except as otherwise set forth herein. On the Additional Notes Issue Date, the Additional Notes will be senior obligations of the Issuer, will rank senior in right of payment to any existing and future indebtedness of the Issuer that is subordinated in right of payment to the Additional Notes, will be *pari passu* in right of payment among themselves and with all existing and future obligations of the Issuer that are not subordinated in right of payment to the Additional Notes, including the Original Notes, the Super Senior Facilities Agreement and certain hedging obligations. On the Additional Notes Issue Date, the Additional Notes will be guaranteed by Horstman Defence Systems Limited and Horstman Holdings Limited (the "**Original Guarantors**"). Within 30 days following the Acquisition Closing Date, the Additional Notes will be guaranteed by RENK Holdings, Inc. and RENK America LLC (the "**Post-Acquisition Guarantors**" and, together with the Original Guarantors, the "**Guarantors**"). The Guarantors will also guarantee the Original Notes and the Super Senior Facilities on a *pari passu* basis. As of and for the twelve month period ended March 31, 2021, the sales revenue, Adjusted EBITDA and total assets, each calculated on an aggregated, unconsolidated basis and excluding intra-group profits of the Guarantors, together represented more than 85% of the combined sales revenue, combined Adjusted EBITDA and combined total assets of the Combined Group, respectively. The Guarantees will be subject to certain significant contractual and legal limitations or subject to certain defenses under applicable law. See "*Description of the Notes—General—The Guarantees.*" See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests*" and "*Risk Factors—Risks Related to the Additional Notes and the Guarantees and the Collateral—Corporate benefit, financial assistance laws, capital maintenance requirements and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral.*" The Guarantees may also be released without consent of the holders of the Notes under certain circumstances. See *"Risk Factors—Risks Related to the Additional Notes and the Guarantees and the Collateral—There are circumstances other than repayment or discharge of the Additional Notes and the Original Notes under which the Collateral and the Guarantees may be released automatically, without your consent or the consent of the Trustee" and "Description of the Notes—Release of Note Guarantees."*

(3) On the Additional Notes Issue Date, the Additional Notes will be secured by (a) security over the receivables owing to FinCo or any other indirect parent entity of the Issuer with respect to any structural loans made by it to the Issuer, (b) a pledge over the shares in the Issuer, (c) security with respect to the Issuer's material bank accounts (if any) in Germany and Luxembourg, (d) a pledge over each Original Guarantor's material bank accounts in certain covered jurisdictions, (e) security over any material structural

intercompany receivable owe to the Issuer or such Original Guarantor, (f) pledges over the shares in each Original Guarantor and (g) substantially all of the assets of each Original Guarantor (pursuant to a floating charge) (collectively, the "**Initial Collateral**"). Within 30 days following the Acquisition Closing Date, the Additional Notes will, subject to the Agreed Security Principles (as defined herein) be secured by (a) pledges over the shares in each of the Post-Acquisition Guarantors and (b) substantially all of the assets of each Post-Acquisition Guarantor (pursuant to an all asset security agreement) (collectively, the "**Post-Acquisition Collateral**" and, together with the Initial Collateral, the "**Collateral**"). The Collateral will also secure on a first-priority basis the Original Notes, the Super Senior Facilities and certain hedging obligations. See "*Description of the Notes—Security*." Under the terms of the Intercreditor Agreement, in the event of an enforcement of the Collateral, holders of the Notes will receive proceeds from the Collateral only after all obligations under the Super Senior Facilities Agreement and certain hedging agreements have been repaid in full. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*." The security interests will be subject to certain significant contractual and legal limitations or subject to certain defenses under applicable law. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests*" and "*Risk Factors—Risks Related to the Additional Notes and the Guarantees and the Collateral—Corporate benefit, financial assistance laws, capital maintenance requirements and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral.*" The security interests may also be released under certain circumstances. See "*Risk Factors—Risks Related to the Additional Notes and the Guarantees and the Collateral—There are circumstances other than repayment or discharge of the Additional Notes and the Original Notes under which the Collateral and the Guarantees may be released automatically, without your consent or the consent of the Trustee*" and "*Description of the Notes—Security—Release of Liens*."

(4) The Issuer as company and original borrower and certain of the Guarantors as guarantors are party to a Super Senior Facilities Agreement, which provides for a €50,000,000 Cash RCF Facility and a €175,000,000 L/G RCF Facility. The Super Senior Facilities will be guaranteed on a senior basis by the same Guarantors and will be secured on a first-priority basis over the same Collateral securing the Notes, including the Additional Notes, and certain hedging obligations. See "*Description of Certain Financing Arrangements—The Super Senior Facilities Agreement*." As of the Additional Notes Issue Date and the Acquisition Closing Date, respectively, no amounts are expected to be drawn in cash under the Cash RCF Facility. However, as of March 31, 2021, the Group had outstanding letters of credit and performance bonds in an aggregate amount of approximately €126.1 million under the L/G RCF Facility. Under the terms of the Intercreditor Agreement, in the event of an enforcement of the Collateral, holders of the Notes, including the Additional Notes, will receive proceeds from the Collateral only after all obligations under the Super Senior Facilities Agreement and certain hedging agreements have been repaid in full. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

(5) The Issuer is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated under the laws of Germany. The Issuer is one of the main operating entities of the Group.

(6) In connection with the Renk Acquisition, the Sponsor granted a shareholder loan of €80.0 million for long-term financing purposes ("**Shareholder Loan I**") and a shareholder loan of €40.0 million for short-term financing purposes ("**Shareholder Loan II**"). The Shareholder Loan II was subsequently repaid in full together with accrued interest thereon on May 20, 2021. The Shareholder Loan I has been granted by the Sponsor through intermediate holding companies to the Issuer. On or about the Acquisition Closing Date, the Sponsor is expected to make an investment in the form of equity or similar instruments totaling an estimated €41.6 million, the proceeds of which have been or will be contributed to the Issuer through intermediate holding companies, to finance the Acquisition. See "*Summary—The Transactions*," "*Use of Proceeds*," "*Capitalization,*" "*Certain Relationships and Related Party Transactions—Shareholder Loan I*" and "*Certain Relationships and Related Party Transactions—Shareholder Loan II.*"

(7) Certain of the Issuer's subsidiaries will not guarantee the Notes. As of and for the twelve month period ended March 31, 2021, the sales revenue, Adjusted EBITDA and total assets, each calculated on an aggregated, unconsolidated basis and excluding intra-group profits of the non-Guarantors, together represented less than 15% of the combined sales revenue, combined Adjusted EBITDA and combined total assets of the Combined Group, respectively. As of March 31, 2021, on an *as adjusted* basis, the non-Guarantors had approximately €6.0 million financial debt.

(8) In addition to the Original Notes and the Super Senior Facilities Agreement, the Issuer is party to a bilateral letter of guarantee facility agreement. The total committed amount under this bilateral letter of guarantee facility was €10.0 million as of March 31, 2021. As of the same date, letters of credit and performance bonds in an aggregate amount of approximately €7.6 million were outstanding under this facility.

THE OFFERING

The following is a brief summary of certain terms of the Offering. It may not contain all the information that is important to you. For additional information regarding the Additional Notes and the related Guarantees, see "Description of the Notes" and "Description of Certain Financing Arrangements," including the definitions of certain terms used in this summary.

Issuer	RENK GmbH (formerly Rebecca BidCo GmbH).
Notes Offered	€200,000,000 aggregate principal amount of 5.75% senior secured notes due 2025 (the "**Additional Notes**"). The Additional Notes will have the same terms and conditions as the Original Notes and will constitute a single class with the Original Notes for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase, except as otherwise set forth herein. The Additional Notes will initially be issued bearing temporary ISINs and common codes that differ from the ISINs and common codes assigned to the Original Notes. In particular, (a) the Additional Notes sold pursuant to Rule 144A will have a temporary ISIN number and common code, and will not trade fungibly with the Original Notes sold pursuant to Rule 144A during the period prior to and including the first interest payment date after the Additional Notes Issue Date, and (b) the Additional Notes sold pursuant to Regulation S will have a temporary ISIN number and common code, and will not trade fungibly with the Original Notes pursuant to Regulations S, during the period prior to and including the 40th day following the Additional Notes Issue Date. After such dates, the Additional Notes are expected to become fully fungible with, and have the same ISIN number and common code as, the relevant Original Notes, as applicable.
Additional Notes Issue Date	, 2021.
Additional Notes Issue Price . . .	%, plus accrued interest, if any, from the Additional Notes Issue Date.
Maturity Date	July 15, 2025.
Interest Rate	5.75%.
Interest Payment Date	Interest on the Additional Notes will be payable semi-annually in arrears on January 15 and July 15 of each year, commencing July 15, 2021.
Denominations	The Additional Notes will only be issued in fully registered form and in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. Additional Notes in denominations of less than €100,000 will not be available.
Ranking	On the Additional Notes Issue Date, the Additional Notes will: • be general senior obligations of the Issuer; • be secured as set forth under "— *Collateral*" on a first-priority basis along with the obligations under the Original Notes, the Super Senior Facilities and certain hedging obligations; however, holders of the Notes will receive proceeds from the enforcement of the Collateral and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the Super Senior Facilities and certain hedging obligations, have been repaid in full;

- rank *pari passu* in right of payment with all of the Issuer's existing and future indebtedness that is not subordinated in right of payment of the Additional Notes, including any indebtedness under the Original Notes, the Super Senior Facilities, hedging obligations and certain other indebtedness permitted to be incurred under the Indenture;
- rank senior in right of payment to all existing and future subordinated indebtedness of the Issuer;
- be effectively senior to any existing and future indebtedness of the Issuer that is not secured by the Collateral, to the extent of the value of such Collateral;
- be effectively subordinated to any existing and future secured indebtedness of the Issuer that is secured by property or assets that do not secure the Additional Notes, to the extent of the value of such property and assets securing such indebtedness; and
- be structurally subordinated to any existing and future indebtedness of subsidiaries of the Issuer that do not guarantee the Additional Notes, including obligations to trade creditors.

Guarantees . . . . On the Additional Notes Issue Date, the Additional Notes will be guaranteed by Horstman Defence Systems Limited and Horstman Holdings Limited (the "**Initial Guarantors**"). Within 30 days following the Acquisition Closing Date, the Additional Notes will be guaranteed by RENK Holdings, Inc. and RENK America LLC (the "**Post-Acquisition Guarantors**" and, together with the Original Guarantors, the "**Guarantors**"). The Guarantors also guarantee the Original Notes and the Super Senior Facilities Agreement on a *pari passu* basis. See "*Description of the Notes—General—The Guarantees*."

The Guarantees will be subject to certain significant contractual and legal limitations or subject to certain defenses under applicable law. See "*Description of the Notes—Guarantees*" *and* "*Description of the Notes—Certain Covenants—Future Guarantees*" and for more information on potential limitations to the Guarantees, see "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests*" and "*Risk Factors—Risks Related to the Additional Notes and the Guarantees and the Collateral—Corporate benefit, financial assistance laws, capital maintenance requirements and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral*."

The Guarantees may be released without consent of the holders of the Notes under certain circumstances. See "*Risk Factors—Risks Related to the Additional Notes and the Guarantees and the Collateral—There are circumstances other than repayment or discharge of the Additional Notes and the Original Notes under which the Collateral and the Guarantees may be released automatically, without your consent or the consent of the Trustee*," "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Notes—Security—Release of Liens*."

Ranking of the Guarantees . . . . Each Guarantee of each Guarantor will:

- be senior obligations of the Guarantor;
- be secured as set forth under "— *Collateral*" on a first-priority

basis along with the obligations under the Original Notes, the Super Senior Facilities and certain hedging obligations; however, holders of the Notes will receive proceeds from the enforcement of the Collateral and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the Super Senior Facilities and certain hedging obligations, have been repaid in full;

- rank *pari passu* in right of payment with all of the Guarantor's existing and future senior indebtedness that is not subordinated in right of payment to its Guarantee, including any indebtedness in connection with the Original Notes and under the Super Senior Facilities;
- rank senior in right of payment to all existing and future subordinated indebtedness of the respective Guarantor;
- be structurally subordinated to all existing and future obligations of such Guarantor's subsidiaries that are not also Guarantors;
- be effectively senior to any existing and future indebtedness of each Guarantor that is not secured by the Collateral owned by such Guarantor, to the extent of the value of such Collateral; and
- be effectively subordinated to any existing and future indebtedness of each Guarantor that is secured by property or assets that do not secure the Notes Guarantees on an equal basis, to the extent of the value of the property or assets securing such indebtedness.

Collateral .... On the Additional Notes Issue Date, the Additional Notes will be secured by:

- security over the receivables owing to FinCo or any other indirect parent entity with respect to any structural loans made by it to the Issuer;
- a pledge over the shares in the Issuer;
- security with respect to the Issuer's material bank accounts (if any) in Germany and Luxembourg
- a pledge over each Original Guarantor's material bank accounts in certain covered jurisdictions;
- security over any material structural intercompany receivable owed to the Issuer or such Original Guarantor;
- pledges over the shares in each Original Guarantor; and
- substantially all of the assets of each Original Guarantor (pursuant to a floating charge)

(collectively, the "**Initial Collateral**").

Within 30 days following the Acquisition Closing Date, the Additional Notes will, subject to the Agreed Security Principles (as defined herein) be secured by:

- pledges over the shares in each of the Post-Acquisition Guarantors; and
- substantially all of the assets of each Post-Acquisition Guarantor (pursuant to an all asset security agreement)

(collectively, the "**Post-Acquisition Collateral**" and, together with the Initial Collateral, the "**Collateral**").

References to first-priority security interests include security interests that were created subsequent in time and thus in ranking, but are contractually *pari passu* with prior ranking security and entitled to equal treatment with other prior ranking security and secured creditors pursuant to the Intercreditor Agreement. See "*Risk Factors—Risks Related to the Additional Notes and the Guarantees and the Collateral—Holders of the Additional Notes must rely on the effectiveness of the Intercreditor Agreement to implement parity among the secured parties.*"

The Collateral will also secure on a first-priority basis the Original Notes, the Super Senior Facilities Agreement and certain hedging obligations and may also secure certain future indebtedness, including additional indebtedness with "super senior" status. Under the terms of the Intercreditor Agreement, proceeds received upon an enforcement or certain distressed disposals of the Collateral will be paid to the lenders under the Super Senior Facilities Agreement and certain hedging counterparties and additional "super senior" indebtedness, if any, in priority to the holders of the Notes. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The security interests over the Collateral or the enforcement thereof will be subject to certain significant contractual and legal limitations or subject to certain defenses under applicable law. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests*" and "*Risk Factors—Risks Related to the Additional Notes and the Guarantees and the Collateral—Corporate benefit, financial assistance laws, capital maintenance requirements and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral*."

The security interests may be released without the consent of the holders of the Notes under certain circumstances. See "*Risk Factors—Risks Related to the Additional Notes and the Guarantees and the Collateral—There are circumstances other than repayment or discharge of the Additional Notes and the Original Notes under which the Collateral and the Guarantees may be released automatically, without your consent or the consent of the Trustee*," "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Notes—Security—Release of Liens.*"

Use of Proceeds . . . . On or about the Acquisition Closing Date, the gross proceeds from the Offering, the Equity Contribution and cash on hand will be used to (i) pay the purchase consideration for the Acquisition under the Acquisition Agreement and (ii) to pay the fees and expenses related to the Transactions as set forth in "*Use of Proceeds*."

Optional Redemption . . . . The Issuer may redeem all or part of the Notes at any time on or after July 15, 2022 at the redemption prices described under "*Description of the Notes—Optional Redemption*."

At any time prior to July 15, 2022, the Issuer may redeem on any one or more occasions all or part of the Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, plus the Applicable Premium, as described under "*Description of the Notes—Optional Redemption.*"

	At any time prior to July 15, 2022, the Issuer may on any one or more occasions redeem up to 40% of the aggregate principal amount of the Notes using the net proceeds from certain equity offerings at a redemption price equal to 105.75% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any; provided that at least 60% of the original aggregate principal amount of the Notes remains outstanding after the redemption. At any time prior to July 15, 2022, the Issuer may on any one or more occasions redeem in any calendar year up to 10% of the original principal amount of the Notes at a redemption price equal to 103% plus accrued and unpaid interest, and Additional Amounts, if any. See "*Description of the Notes—Optional Redemption.*"
Additional Amounts; Tax Redemption	Any payments made by or on behalf of the Issuer or any Guarantor under or with respect to the Notes or the Guarantees will be made without withholding or deduction for or on account of any taxes in any relevant taxing jurisdiction unless required by law. Subject to certain exceptions and limitations, if the Issuer or the applicable Guarantor or paying agent is required by law to withhold or deduct such taxes with respect to a payment on any Note or Guarantee, the Issuer or the applicable Guarantor will pay the Additional Amounts necessary so that the net amount received after such 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 Notes—Payment of Additional Amounts*." If certain changes in the law of any relevant taxing jurisdiction become effective after the issuance of the Original Notes that would impose withholding taxes on the payments on the Notes and would require the Issuer or any Guarantor to pay Additional Amounts (as described in "*Description of the Notes—Payment of Additional Amounts*"), the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to the date of redemption. See "*Description of the Notes—Early Redemption for Taxation Reasons*."
Tender Offers	In connection with certain tender offers for the Notes, if holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases, all of the Notes validly tendered and not withdrawn by such holders, the Issuer or such third party will have the right to redeem the Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of Notes. See "*Description of the Notes—Optional Redemption.*"
Change of Control	If the Issuer experiences a Change of Control, the holders of the Notes will have the right to require the Issuer to offer to repurchase the Notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of repurchase. See "*Description of the Notes—Change of Control*."
Certain Covenants	The Indenture limits, among other things, the ability of the Issuer and its restricted subsidiaries to: • incur or guarantee additional indebtedness or issue certain preferred stock;

- pay dividends, redeem capital stock and make other distributions;
- make certain other restricted payments or restricted investments;
- prepay or redeem subordinated debt or equity;
- create or permit to exist certain liens;
- impose restrictions on the ability of the restricted subsidiaries to pay dividends;
- transfer or sell certain assets;
- merge or consolidate with other entities;
- engage in certain transactions with affiliates; and
- impair the security interests for the benefit of the holders of the Notes.

Certain of the covenants will be suspended if and for as long as the Group achieves investment grade ratings. See "*Description of the Notes—Covenants—Suspension of Covenants*." Each of the covenants in the Indenture is subject to significant exceptions and qualifications. See "*Description of the Notes—Covenants*."

Transfer Restrictions	The Additional Notes and the related Guarantees have not been, and will not be, registered under US federal or state or any foreign securities laws and are subject to restrictions on transferability and resale. See "*Transfer Restrictions*." The Issuer is under no obligation to, nor does it intend to, register the Additional Notes or the related Guarantees in the United States.
Absence of a Public Market for the Notes	The Additional Notes will be new securities for which there is no established trading market. Although the Initial Purchaser has advised the Issuer that it intends to make a market in the Additional Notes, it is not obligated to do so and it may discontinue market-making at any time without notice. Accordingly, the Issuer cannot assure you as to the development or liquidity of any market for the Additional Notes. Furthermore, the Additional Notes will not have registration rights under the US Securities Act.
Risk Factors	Investing in the Additional Notes involves substantial risks. You should consider carefully all the information in this offering memorandum and, in particular, you should evaluate the specific risk factors set forth in the "*Risk Factors*" section before making a decision whether to invest in the Additional Notes.
Listing	Application will be made to The International Stock Exchange Authority Limited (the "**Authority**") for the listing of and permission to deal in the Additional Notes on the Official List of The International Stock Exchange (the "**Exchange**"). There is no assurance that the Additional Notes will be listed on the Official List of the Exchange, that such permission to deal in the Additional Notes will be granted, or that such listing will be maintained. Notwithstanding the foregoing, the Issuer may at its sole option at any time, without the consent of the holders of the Notes or the Trustee, de-list the Notes from any stock exchange for the purposes of moving the listing of the Notes to another recognized stock exchange for high yield issuers. See "*Description of the Notes—Maintenance of Listing*."
Governing Law	The Additional Notes will be and the Indenture is governed by the laws of the State of New York. The Intercreditor Agreement is

governed by the laws of England and Wales. The security documents in relation to the Collateral (the "**Security Documents**") will be governed by applicable local law.

Trustee	Deutsche Trustee Company Limited.
Security Agent	Deutsche Bank AG, London Branch.
Paying Agent	Deutsche Bank AG, London Branch.
Registrar and Transfer Agent . . .	Deutsche Bank Luxembourg S.A.
Listing Agent	Carey Olsen Corporate Finance Limited.

SUMMARY HISTORICAL FINANCIAL INFORMATION AND OTHER INFORMATION

The following information should be read in conjunction with the information contained in "Presentation of Financial and Other Information," "Use of Proceeds," "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations of the former RENK AG Group and RENK Holding GmbH Group," "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Target Business" and the consolidated financial statements, including the related notes thereto, included elsewhere in this offering memorandum.

Former RENK AG and RENK Holding GmbH

The Issuer was incorporated as Rebecca BidCo GmbH on January 2, 2020 in connection with the Renk Acquisition, the offer and issue of the Original Notes, the entry into the Super Senior Facilities Agreement and certain other transactions. On October 5, 2020, the Issuer changed its legal form to a German stock corporation (*Aktiengesellschaft*) under the name Rebecca BidCo AG. On February 15, 2021, the Issuer as surviving entity merged with the former Renk Aktiengesellschaft ("**former RENK AG**") with retrospective effect as of January 1, 2020 and, as a result of such merger, acquired all assets and assumed all liabilities of the former RENK AG. On April 14, 2021, the Issuer changed its legal form to a German limited liability company (*Gesellschaft mit beschränkter Haftung*) under the name RENK GmbH.

Prior to its merger with the former RENK AG, the Issuer was a holding company with no sales revenue-generating activities of its own, and did not have any business operations or material assets (other than its shareholding in the former RENK AG).

The audited consolidated financial statements, including the related notes thereto, of the former RENK AG as of and for the fiscal year ended December 31, 2019 (with comparative financial information as of and for the fiscal year ended December 31, 2018), included in this offering memorandum have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("**IFRS**") and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (*Handelsgesetzbuch*, *HGB*). The audited consolidated financial statements of the former RENK AG as of and for the fiscal year ended December 31, 2019, along with the independent auditor's report (*Bestätigungsvermerk des unabhängigen Abschlussprüfers*) of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft ("**PwC**") with respect thereto, and the unaudited condensed consolidated interim financial statements of the former RENK AG as of and for the three month period ended March 31, 2020, which have been prepared in accordance with IFRS as applicable for interim financial reporting (IAS 34), are included in this offering memorandum.

On February 15, 2021, the former RENK AG was merged into the Issuer (as the surviving entity) with retrospective effect as of January 1, 2020. Therefore, no historical consolidated financial information for the former RENK AG as of and for the fiscal year ended December 31, 2020 is available. The Issuer did not prepare audited consolidated financial statements. In this offering memorandum, we therefore include audited consolidated financial statements as of and for the short fiscal year ended December 31, 2020 and unaudited condensed consolidated interim financial statements as of and for the three month period ended March 31, 2021 of RENK Holding GmbH. The short fiscal year ended December 31, 2020 of RENK Holding GmbH comprises the period from January 2, 2020 to December 31, 2020, and includes the operations of the former RENK AG Group only from the date of the consummation of the Renk Acquisition in October 2020. RENK Holding GmbH is a holding company with no sales revenue-generating activities of its own, and has not and does not expect to have any business operations, material assets or liabilities other than its shares in FinCo, the direct holding company of the Issuer. FinCo is a holding company with no sales revenue-generating activities of its own, and has not and does not expect to have any business operations, material assets or liabilities other than its shares in the Issuer

The audited consolidated financial statements, including the related notes thereto, of RENK Holding GmbH as of and for the short fiscal year ended December 31, 2020, included in this offering memorandum have been prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (*Handelsgesetzbuch, HGB*). The audited consolidated financial statements of RENK Holding GmbH as of and for the short fiscal year ended December 31, 2020, along with the independent auditor's report of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft ("**EY**") with respect thereto, and the unaudited condensed consolidated interim financial statements of RENK

Holding GmbH as of and for the three month period ended March 31, 2021, which have been prepared in accordance with IFRS as applicable for interim financial reporting (IAS 34), are included in this offering memorandum.

The consolidated financial statements of RENK Holding GmbH as of and for the short fiscal year ended December 31, 2020 include the operations of the former RENK AG Group only from the date of the consummation of the Renk Acquisition in October 2020 and on the basis of preliminary purchase accounting according to IFRS 3. Prior to that date, RENK Holding GmbH was a holding company without sales revenue-generating activities. The consolidated financial information of RENK Holding GmbH as of and for the short fiscal year ended December 31, 2020 included elsewhere in this offering memorandum is therefore not comparable to the consolidated financial information of the former RENK AG as of and for the fiscal years ended December 31, 2019 and 2018. For better comparability, the unaudited *as if* consolidated income statement and consolidated statement cash flows financial information for the former RENK AG for the twelve month period ended December 31, 2020 included in this offering memorandum therefore is presented as if the former RENK AG had not been merged into the Issuer with retrospective effect as of January 1, 2020 and had existed during the twelve month period ended December 31, 2020, and is derived from RENK Holding GmbH's internal accounting and reporting systems. The unaudited *as if* financial information for the former RENK AG Group does not take into account the effects of the Original Transactions (including the related financing) on the Group. The financial information with respect to the consolidated statement of financial position as of December 31, 2020 presented in this offering memorandum is taken or derived from RENK Holding GmbH's audited consolidated financial statements as of and for the short fiscal year ended December 31, 2020.

Combined Financial Statements of the Target Business

The combined financial statements, including the notes thereto, of the Target Business as of and for the fiscal years ended January 1, 2021 and January 3, 2020 as well as the combined financial statements as of and for the fiscal quarter ended April 2, 2021 and the fiscal quarter ended April 3, 2020 included in this offering memorandum have been prepared in accordance with generally accepted accounting principles in the United States ("**US GAAP**"). The combined financial statements of the Target Business as of and for the fiscal years ended January 1, 2021 and January 3, 2020 have been audited by Ernst & Young LLP. The combined financial statements of the Target Business reflect the combat propulsion systems business of L3Harris Technologies, Inc, including L3 Magnet Motor GmbH, and have been prepared by aggregating the financial information for the combat propulsion systems business, comprising the assets, revenues and expenses that management has determined are specifically attributable to the Target Business. These businesses do not constitute a separate legal entity or group.

The combined financial statements do not necessarily reflect the financial position, results of operations or cash flows of the Target Business if it had been a separate entity, or the future results of the Target Business as it will exist upon its acquisition by the Group. See "*Risk Factors—Risks Related to the Acquisition—The combined financial statements of the Target Business may not be representative of its future results.*"

For a complete description of the accounting principles followed in preparing the combined financial statements of the Target Business, please see note 1 "Basis of presentation and significant accounting policies" to the combined financial statements of the Target Business as of and for the fiscal years ended January 1, 2021 and January 3, 2020 included elsewhere in this offering memorandum.

Certain Combined and As Adjusted Financial Data of the Combined Group

This offering memorandum includes certain financial information of the Combined Group on a combined basis. Such combined financial information has been calculated by aggregating the relevant financial information of the Group with the relevant financial information of the Target Business. The combined information does not reflect any accounting or *pro forma* adjustments that may be required to present consolidated or *pro forma* financial information. See "*Unaudited Pro Forma Consolidated Financial Information*" for certain financial information which has been adjusted. The combined financial information is presented for illustrative purposes only and not necessarily representative of the Combined Group's results of operations for such a period or any future period. These amounts have not been audited, reviewed or verified by any auditor. This information is inherently subject to risks and uncertainties. As a result of the factors described above, investors should not place undue reliance on the combined financial information.

Former RENK AG Group and RENK Holding GmbH Group

Consolidated Income Statement Information

	Fiscal year ended December 31,		Twelve months ended December 31,	Three months ended March 31,	
	2018	2019	2020	2020	2021
	former RENK AG Group		as if former RENK AG Group	former RENK AG Group	RENK Holding GmbH Group
			(€ thousand)		
	(audited)			(unaudited)	
Sales revenue	502,218	558,609	550,207	113,367	127,045
Cost of sales	(383,442)	(428,790)	(421,328)	(91,419)	(98,529)
Gross profit	**118,776**	**129,819**	**128,879**	**21,948**	**28,516**
Other operating income	7,418	8,350	7,158	2,598	2,741
Net allowances on financial assets	(508)	(683)	1,349	605	(140)
Distribution expenses	(37,412)	(39,732)	(38,338)	(10,461)	(9,471)
General administrative expenses	(22,342)	(27,520)	(28,795)	(6,916)	(7,186)
Other operating expenses	(5,721)	(9,811)	(8,766)	(3,988)	(4,663)
Operating profit	**60,213**	**60,423**	**61,488**	**3,785**	**9,798**
Interest expense	(400)	(828)	(1,422)	(338)	(12,384)
Other financial result	1,802	2,728	457	(38)	6,363
Financial result	**1,402**	**1,900**	**(965)**	**(376)**	**(6,021)**
Profit before taxes	**61,615**	**62,323**	**60,523**	**3,410**	**3,778**
Income tax expense	(19,105)	(18,152)	(23,985)	(1,016)	(1,154)
Profit after tax*	**42,510**	**44,171**	**36,538**	**2,394**	**2,624**

* Presented as profit after tax (share of RENK shareholders) in the audited consolidated financial statements of the former RENK AG as of and for the fiscal year ended December 31, 2019 (including comparative financial information as of and for the fiscal year ended December 31, 2018) and in the unaudited condensed consolidated interim financial statements of the former RENK AG as of and for the three month period ended March 31, 2020.

Selected Consolidated Statement of Financial Position Information

	As of December 31,			As of March 31,
	2018	2019	2020	2021
	former RENK AG Group		RENK Holding GmbH Group	
	(€ thousand)			
	(audited)		(unaudited)	
ASSETS				
Non-current assets	**230,008**	**309,855**	**580,565**	**572,250**
Current assets	**523,353**	**504,956**	**606,806**	**568,120**
Total assets	**753,361**	**814,811**	**1,187,371**	**1,140,369**
EQUITY AND LIABILITIES				
Equity	**449,935**	**483,699**	**200,383**	**261,421**
Non-current liabilities and provisions	**106,742**	**114,418**	**596,900**	**583,700**
Current liabilities and provisions	**196,683**	**216,694**	**390,087**	**295,248**
Total equity and liabilities	**753,361**	**814,811**	**1,187,371**	**1,140,369**

Selected Consolidated Cash Flow Statement Information

	Fiscal year ended December 31,		Twelve months ended December 31,	Three months ended March 31,	
	2018	2019	2020	2020	2021
	former RENK AG Group		as if former RENK AG Group	former RENK AG Group	RENK Holding GmbH Group
	(€ thousand)				
	(audited)		(unaudited)		
Cash flows from operating activities	**34,706**	**7,462**	**91,072**	**22,009**	**37,337**
Cash flows from investing activities	**(33,136)**	**(73,222)**	**(52,300)**	**(7,742)**	**(4,865)**
Cash flows from financing activities	**(14,960)**	**(17,968)**	**(15,513)**	**(285)**	**(66,666)**
Change in cash and cash equivalents	**(12,853)**	**(83,224)**	**22,216**	**14,305**	**(33,411)**
Cash and cash equivalents at the end of the period	**185,700**	**102,476**	**124,692**	**116,781**	**153,470**

Selected Business Unit/Segment Information

	For the fiscal year ended December 31,		Twelve months ended December 31,
	2018	2019	2020
	former RENK AG Group		as if former RENK AG Group
	(€ thousand)		
	(audited)		(unaudited)
Vehicle Transmissions			
Total sales revenue	177,388	230,008	238,236
Operating profit	37,352	43,543	43,629
Special Gear Units			
Total sales revenue	170,839	181,428	167,978
Operating profit	5,234	6,207	5,377
Standard Gear Units			
Total sales revenue	78,885	72,510	68,995
Operating profit	6,459	1,038	806
Slide Bearings			
Total sales revenue	86,625	84,790	83,468
Operating profit	11,170	9,607	11,694
Consolidation			
Total sales revenue	(11,518)	(10,127)	(8,470)
Operating profit	(2)	28	(18)
Group			
Total sales revenue	502,218	558,609	550,207
Operating profit	60,213	60,423	61,488

Other Financial Data

	For the fiscal year ended and as of December 31,		Twelve months ended December 31,	Three months ended March 31,		Twelve months ended March 31,
	2018	2019	2020	2020	2021	2021(1)
	former RENK AG Group		as if former RENK AG Group	former RENK AG Group	RENK Holding GmbH Group	
	(€ thousand, unless stated otherwise) (unaudited, unless stated otherwise)					
Sales revenue	502,218*	558,609*	550,207	113,367	127,045	563,885
EBITDA(2)	79,226	83,821	87,595	9,778	21,250	99,067
EBITDA margin (in %)(2)	15.8	15.0	15.9	8.6	16.7	17.6
Adjusted EBITDA(2)	74,469	83,631	86,098	9,042	22,998	100,054
Adjusted EBITDA margin (in %)(2)	14.8	15.0	15.6	8.0	18.1	17.7
Free Cash Flow(3)	50,455	63,801	63,999	3,711	18,503	78,791
Cash Conversion (in%)(4)	67.8	76.3	74.3	41.0	80.5	78.7

* Audited

(1) The financial information of RENK Holding GmbH Group for the twelve month period ended March 31, 2021, is unaudited and has been calculated by taking the consolidated income statement financial information of RENK Holding GmbH for the three month period ended March 31, 2021, and adding it to the *as if* consolidated income statement financial information of the former RENK AG for the twelve month period ended December 31, 2020, and subtracting the consolidated income statement financial information of the former RENK AG for the three month period ended March 31, 2020. This unaudited financial information is presented for illustrative purposes only and not necessarily representative of the Group's results of operations for such a period or any future period. In particular, the unaudited financial information of RENK Holding GmbH Group for the twelve month period ended March 31, 2021 only takes into account the effects of the Original Transactions (including the related financing) on the Group for the three month period ended March 31, 2021 and not for any other period included therein.

(2) EBITDA is defined as operating profit before depreciation, amortization and impairment losses on intangible assets and property, plant and equipment. Adjusted EBITDA is defined as EBITDA, as adjusted for certain items which management considers to be exceptional or non-recurring in nature. These measures are not defined financial measures under IFRS. It should be noted in this context that not all companies calculate these items that are not defined under IFRS in the same manner, and that consequently the measures reported are not necessarily comparable with similarly described measures employed by other companies. EBITDA Margin and Adjusted EBITDA Margin are defined as EBITDA or Adjusted EBITDA, as applicable, divided by sales revenue.

The calculations for Adjusted EBITDA are based on various assumptions, management estimates and unaudited management accounts. These amounts have not been audited, reviewed or verified by any auditor. 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 for the periods presented and may not be comparable to the Group's consolidated financial statements or other financial information included in this offering memorandum and should not be relied upon when making an investment decision. The Group presents Adjusted EBITDA because it believes Adjusted EBITDA is helpful to investors as measures of its operating performance and ability to service its debt.

Below is a calculation of the Group's and *as if* for the former RENK AG Group's operating profit to EBITDA and Adjusted EBITDA for the periods indicated:

	Fiscal year ended December 31,		Twelve months ended December 31,	Three months ended March 31,		Twelve months ended March 31,
	2018	2019	2020	2020	2021	2021
	former RENK AG Group		as if former RENK AG Group	former RENK AG Group	RENK Holding GmbH Group	
	(€ thousand) (unaudited, unless stated otherwise)					
Operating profit	60,213*	60,423*	61,488	3,785	9,798	67,501
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment	19,013*	23,398*	26,107	5,993	11,452	31,566
EBITDA	**79,226**	**83,821**	**87,595**	**9,778**	**21,250**	**99,067**
Costs incurred in connection with the acquisition of the Horstman Group(a)	—	1,255	—	—	—	—
Costs incurred in connection with the Original Transactions(b)	—	—	—	—	585	585
Costs incurred in connection with the Acquisition(c)	—	—	—	—	1,049	1,049
Severance provision(d)	—	—	1,200	—	—	1,200
Separation costs(e)	—	1,320	(602)	123	114	(611)
Other adjustments(f)	(4,757)	(2,766)	(2,095)	(859)	—	(1,236)
Adjusted EBITDA	**74,469**	**83,631**	**86,098**	**9,042**	**22,998**	**100,054**

* Audited.

(a) Represents costs and expenses incurred in connection with the acquisition of the Horstman Group, including costs for legal and due diligence services.

(b) Represents costs and expenses incurred in connection with the Original Transactions, including professional advisory fees.

(c) Represents costs and expenses incurred in connection with the Acquisition, including professional advisory fees.

(d) Represents a provision for severance payments to a former board member.

(e) In fiscal year ended December 31, 2019, the adjustments represent costs incurred under transitional service agreements with MAN SE. These costs are adjusted for as the former RENK AG Group procured the same services internally in the fiscal year ended December 31, 2019. In the fiscal year ended December 31, 2020 the adjustments represent (i) the release of general receivable provisions as a result of a change to accounting policies following the separation from the Volkswagen AG Group ("**VW AG Group**"), (ii) one-off costs for the implementation of a consolidation system following the separation from the VW AG Group and (iii) additional service costs incurred under transitional services agreements with MAN SE. In the three month period ended March 31, 2020, the adjustment represents additional service costs incurred under transitional services agreements with MAN SE. These costs are adjusted for as the former RENK AG Group procured the same services internally in the three month period ended March 31, 2020. In the three month period ended March 31, 2021, the adjustment represents one-off costs for the implementation of a consolidation system following the separation from the VW AG Group.

(f) In fiscal year ended December 31, 2018, the adjustments primarily represent the Group's estimate of additional costs that would have been incurred had certain services provided by MAN SE been sourced externally and estimated additional standalone costs if the Group had operated separately from the VW AG Group. In fiscal year ended December 31, 2019, the adjustments represent estimated additional standalone costs if the Group had operated separately from the VW AG Group and the normalization of warranty provisions. In the twelve months period ended December 31, 2020, the adjustments represent estimated additional standalone costs if the Group had operated separately from the VW AG Group during the entire twelve month period and professional advisory fees.

(3) Free Cash Flow is calculated as Adjusted EBITDA minus Maintenance Capital Expenditures.

	Fiscal year ended December 31,		Twelve months ended December 31,	Three months ended March 31,		Twelve months ended March 31,
	2018	2019	2020	2020	2021	2021
	former RENK AG Group		as if former RENK AG Group	former RENK AG Group	RENK Holding GmbH Group	
			(€ thousand) (unaudited)			
Adjusted EBITDA	74,469	83,631	86,098	9,042	22,998	100,054
Maintenance Capital Expenditures.	(24,014)	(19,830)	(22,099)	(5,331)	(4,496)	(21,264)
Free Cash Flow	**50,455**	**63,801**	**63,999**	**3,711**	**18,503**	**78,791**

(4) Cash Conversion is calculated as Free Cash Flow divided by Adjusted EBITDA.

Key Performance Indicators

	As of or for the fiscal year ended December 31,		As of or for the twelve months ended December 31,	As of or for the three months ended March 31,	
	2018	2019	2020	2020	2021
	former RENK AG Group		As if former RENK AG Group	former RENK AG Group	RENK Holding GmbH Group
			(€ thousand) (unaudited)		
Order Intake[1]	**528,935**	**539,697**	**767,014**	**178,487**	**158,983**
Vehicle Transmissions	*170,968*	*216,801*	*383,913*	*25,444*	*82,343*
Special Gear Units	*207,601*	*175,787*	*242,219*	*115,355*	*41,507*
Standard Gear Units	*75,738*	*70,122*	*62,537*	*17,496*	*13,926*
Slide Bearings	*84,830*	*85,047*	*87,784*	*23,563*	*22,989*
Consolidation	*(10,201)*	*(8,060)*	*(9,439)*	*(3,371)*	*(1,782)*
Order Backlog[2][3]	**773,883**	**820,779**	**1,030,254**	**885,489**	**1,064,275**
Vehicle Transmissions	*419,481*	*473,979*	*612,663*	*445,545*	*646,738*
Special Gear Units	*276,068*	*269,451*	*343,095*	*361,179*	*342,280*
Standard Gear Units	*57,893*	*54,545*	*47,488*	*55,533*	*45,095*
Slide Bearings	*30,973*	*31,267*	*35,486*	*31,705*	*38,083*
Consolidation	*(10,531)*	*(8,463)*	*(8,478)*	*(8,473)*	*(7,920)*

(1) Measured by reference to binding customer contracts and purchase orders concluded and/or received in the respective reporting period at the respective price.

(2) Order Backlog at the end of the period represents with respect to binding customer contracts and purchase orders concluded and/or received the portion of the associated transaction price for which the amount of sales revenue has not yet been recognized in accordance with IFRS. See also "*Risk Factors—The Combined Group may not be able to realize revenue represented by its Order Intake and Order Backlog*."

(3) Based on preliminary management accounts, the Group estimates that its Order Backlog as of May 31, 2021 amounted to approximately €1,037 million, of which the Group estimates approximately a third will be realized during the remainder of 2021, approximately a third in 2022, and approximately a third thereafter. These numbers are unaudited and preliminary in nature and subject to change. See "*— Trading Update*" for more information.

Target Business

Combined Statement of Income Information

	Fiscal year ended		Fiscal quarter ended		Twelve months ended April 2,
	January 3, 2020	January 1, 2021	April 3, 2020	April 2, 2021	2021
	($ thousand)				
	(audited)		(unaudited)		(unaudited)
Revenue from product sales and services	182,716	236,433	53,359	71,369	254,443
Cost of product sales and services	111,454	146,433	31,753	42,972	157,652
Engineering, selling and administrative expenses	26,059	31,375	7,124	7,203	31,454
Non-operating income	1,794	4,252	1,070	1,235	4,417
Income before income taxes	**46,997**	**62,877**	**15,552**	**22,429**	**69,754**
Income taxes	10,248	16,218	3,624	5,422	18,016
Net income	**36,749**	**46,659**	**11,928**	**17,007**	**51,738**

Selected Combined Balance Sheet Information

	Fiscal years ended		As of April 2,
	January 3, 2020	January 1, 2021	2021
	($ thousand)		
	(audited)		(unaudited)
ASSETS			
Total current assets	**79,452**	**87,109**	**72,390**
Total non-current assets	**160,865**	**157,639**	**156,570**
Total assets	**240,317**	**244,748**	**228,960**
EQUITY AND LIABILITIES			
Total current liabilities	**23,131**	**26,414**	**23,868**
Total non-current liabilities	**30,006**	**30,721**	**30,463**
Total parent's equity	**187,180**	**187,613**	**174,629**
Total equity and liabilities	**240,317**	**244,748**	**228,960**

Selected Combined Statement of Cash Flows Information

	Fiscal years ended		Fiscal quarters ended	
	January 3, 2020	January 1, 2021	April 3, 2020	April 2, 2021
	($ thousand)			
	(audited)		(unaudited)	
Net cash provided by operating activities	**44,886**	**49,128**	**6,329**	**28,391**
Net cash used in investing activities	**(1,185)**	**(3,497)**	**(23)**	**(126)**
Net cash used in financing activities	**(42,365)**	**(44,568)**	**(4,978)**	**(28,599)**
Net increase in cash	**1,240**	**1,647**	**1,253**	**(619)**
Cash, end of period	**6,292**	**7,939**	**7,545**	**7,320**

Other Financial Data

	Fiscal years ended		Fiscal quarters ended,		As of and for the twelve months ended
	January 3, 2020	January 1, 2021	April 3, 2020	April 2, 2021	April 2, 2021
	($ thousand, unless stated otherwise) (unaudited, unless stated otherwise)				
Revenue from product sales and services	182,716*	236,433*	53,359	71,369	254,443
EBITDA[(1)]	51,918	67,045	16,650	23,242	73,637
EBITDA margin (in %)[(1)]	28.4	28.4	31.2	32.6	28.9
Adjusted EBITDA[(1)]	48,206	66,607	16,559	23,138	73,186
Adjusted EBITDA margin (in %)[(1)]	26.4	28.2	31.0	32.4	28.8
Free Cash Flow[(2)]	47,021	63,110	16,536	23,012	69,586
Cash Conversion (in %)[(3)]	97.5	94.7	99.9	99.5	95.1

* Audited.

(1) EBITDA is defined as income before income taxes plus depreciation and other amortization. Adjusted EBITDA is defined as EBITDA, as adjusted for certain items which management considers to be exceptional or non-recurring in nature. These measures are not defined financial measures under US GAAP. It should be noted in this context that not all companies calculate these items that are not defined under US GAAP in the same manner, and that consequently the measures reported are not necessarily comparable with similarly described measures employed by other companies. EBITDA Margin and Adjusted EBITDA Margin are defined as EBITDA or Adjusted EBITDA, as applicable, divided by revenue from product sales and services.

The calculations for Adjusted EBITDA are based on various assumptions, management estimates and unaudited management accounts. These amounts have not been audited, reviewed or verified by any auditor. 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 for the periods presented and may not be comparable to the Target Business's consolidated financial statements or other financial information included in this offering memorandum and should not be relied upon when making an investment decision. The Group presents Adjusted EBITDA because it believes Adjusted EBITDA is helpful to investors as measures of the Target Business's operating performance and ability to service its debt.

Below is a calculation of the Group's income before taxes to EBITDA and Adjusted EBITDA for the periods indicated:

	Fiscal year ended		Fiscal quarters ended,		Twelve months ended April 2,
	January 3, 2020	January 1, 2021	April 3, 2020	April 2, 2021	2021
	($ thousand) (unaudited, unless stated otherwise)				
Income before taxes	46,997*	62,877*	15,552	22,429	69,754
Depreciation and other amortization	4,921*	4,168*	1,098	813	3,883
EBITDA	**51,918**	**67,045**	**16,650**	**23,242**	**73,637**
Allocation of Corporate Expenses[(a)]	6,775	8,230	1,555	2,133	8,808
Standalone Costs[(b)]	(3,895)	(4,060)	(1,015)	(1,015)	(4,060)
Margin Normalization[(c)]	(1,245)	(2,590)	699	—	(3,289)
Re-inclusion of service cost & additional healthcare costs[(d)]	(1,350)	(1,500)	(375)	(375)	(1,500)
Contract reserve policy change[(e)]	(1,362)	—	—	—	—
Other adjustments[(f)]	(2,635)	(518)	(955)	(847)	(410)
Adjusted EBITDA	**48,206**	**66,607**	**16,559**	**23,138**	**73,186**

* Audited

(a) Represents corporate and segment costs of L3Harris Technologies, Inc. that are allocated to the Target Business through the application of government cost accounting practices or other reasonable means. Following consummation of the Acquisition, the Target Business will no longer be part of the L3Harris Technologies, Inc. group and will no longer incur these costs.

(b) Represents the Group's estimate of additional standalone costs that it expects to incur at the Target Business following completion of the Acquisition. These costs include expenses for tax services, IT costs and personnel expenses for additional IT staff as well as additional costs arising in the Target Business' IT, finance, legal, operations and marketing divisions. Standalone costs are based on management estimates and assumptions and are forward looking in nature. As such, this information is inherently subject to business, economic and other risks and uncertainties that could cause actual results to differ materially from those contained in our estimated standalone costs and expenses. It may not give an accurate or complete picture of the financial impact or results and should not be relied upon when making an investment decision. If one or more of our underlying assumptions proves to have been incorrect, this could lead to substantially higher costs than planned and we may not be able to realize fully, or realize in the anticipated time frame, the estimated benefits from our standalone cost-savings. See "*Risk Factors—The Target Business may not successfully transition to operating as a standalone business.*"

(c) Represents the Group's estimate of the impact from the normalization of margins of two contracts of the Target Business which generated higher margins closer to its end of life compared to historical periods.

(d) Represents the re-inclusion of pension service costs for the US pension plans of the Target Business which were normalized for in Other adjustments to remove all pension expenses incurred in historical periods. The Group does not assume the pension plans of the Target Business, but has agreed to provide new pensions to the Target Business's employees and service costs were hence re-included. In addition, the position reflects the Group's estimated additional service costs for healthcare benefits that the Target Business will incur following completion of the Acquisition. Prior to consummation of the Acquisition, these benefits are provided under plans maintained by the L3Harris Technologies, Inc. group. Management estimates that the Target Business's pension expenses will be higher going forward due to the smaller scale of the Target Business as a standalone operation. This information is forward looking in nature and subject to risks and uncertainties that could cause actual results to differ materially from those contained in our estimated standalone costs and expenses. See "*Risk Factors—The Target Business may not successfully transition to operating as a standalone business.*"

(e) Represents the reversal of a non-cash gain that resulted from changes to the Target Business's accounting policies in relation to reserves for contract risks.

(f) Represents the Group's estimate of a range of other minor adjustments to EBITDA of the Target Business and includes, amongst others, the removal of all pension expenses (service costs being re-included under paragraph (d) above), general reserve true-ups, the write-off of equipment and intragroup top-side adjustments.

(2) Free Cash Flow is calculated as Adjusted EBITDA minus Maintenance Capital Expenditures:

	Fiscal year ended		Fiscal quarters ended		Twelve months ended April 2,
	January 3, 2020	January 1, 2021	April 3, 2020	April 2, 2021	2021
			($ thousand) (unaudited)		
Adjusted EBITDA	48,206	66,607	16,559	23,138	73,186
Maintenance Capital Expenditures[(a)]	(1,185)	(3,497)	(23)	(126)	(3,600)
Free Cash Flow	**47,021**	**63,110**	**16,536**	**23,012**	**69,586**

(a) Historically, the Target Business's management has not differentiated between maintenance capital expenditures and growth capital expenditures. Given the nature of the Target Business's investments in the relevant periods, the Group's management estimates that all capital expenditures by the Target Business constitute maintenance capital expenditures. This may be subject to change.

(3) Cash Conversion is calculated as Free Cash Flow divided by Adjusted EBITDA.

Key Performance Indicators

	Fiscal Years ended		As of or for the Fiscal quarters ended	
	January 3, 2020	January 1, 2021	April 3, 2020	April 2, 2021
		($ thousand) (unaudited)		
Order Intake[(1)]	**222,234**	**348,124**	**68,323**	**19,138**
Order Backlog[(2)]	**279,567**	**392,378**	**295,355**	**343,593[(3)]**

(1) Measured by reference to binding customer contracts and purchase orders concluded and/or received in the respective reporting period at the respective price.

(2) Order Backlog at the end of the period represents the Target Business's future revenue it expects to recognize as it performs on its current contracts. Backlog comprises both funded backlog (i.e., firm orders for which funding is authorized and appropriated) and unfunded backlog. Backlog excludes unexercised contract options and potential orders under ordering-type contracts, such as indefinite delivery, indefinite quantity contracts. See also "*Risk Factors—The Combined Group may not be able to realize revenues represented by its Order Intake and Order Backlog*." As of April 2, 2021, the Target Business's Order Backlog was €293 million (converted into euro at a rate of $1.1725 per € 1.00).

(3) The Target Business expects to recognize approximately 55% of the revenue associated with this backlog within the twelve months following the quarter end date and the substantial majority of the revenue associated with this backlog within the next three years.

Certain Combined and As Adjusted Financial Data of the Combined Group

The following table presents certain financial information of the Combined Group on a combined basis. Such combined financial information has been calculated by aggregating the relevant financial information of the Group with the relevant financial information of the Target Business, except as otherwise indicated. The combined information does not reflect any accounting or *pro forma* adjustments that may be required to present consolidated or *pro forma* financial information. See "*Unaudited Pro Forma Consolidated Financial Information*" for certain financial information which has been adjusted. The combined financial information is presented for illustrative purposes only and not necessarily representative of the Combined Group's results of operations for such a period or any future period. These amounts have not been audited, reviewed or verified by any auditor. This information is inherently subject to risks and uncertainties. As a result of the factors described above, investors should not place undue reliance on the combined financial information.

	As of and for the twelve months ended March 31, 2021
	Combined Group
	(€ million, unless stated otherwise) (unaudited)
Combined sales revenue(1)	781.8
Combined Adjusted EBITDA(2)	164.2
Combined Adjusted EBITDA margin (in %)(1)(2)	21.0%
Combined Free Cash Flow(3)	139.8
Combined Cash Conversion (in %)(4)	85.1
As adjusted net debt(5)	485.8
As adjusted cash interest expense(6)	29.9
Ratio of As adjusted net debt to Combined Adjusted EBITDA	3.0x
Ratio of Combined Adjusted EBITDA to As adjusted cash interest expense	5.5x

(1) Combined sales revenue represents the simple aggregation of RENK Holding GmbH Group's sales revenue for the twelve months ended March 31, 2021 and the Target Business's revenue from product sales and services for the twelve months ended April 2, 2021. For purposes of calculating combined sales revenue, the Target Business's revenue from product sales and services has been converted into euro at a rate of $1.1414 per €1.00 for the fiscal year ended January 1, 2021, $1.1024 per €1.00 for the fiscal quarter ended April 3, 2020 and $1.2056 per €1.00 for the fiscal quarter ended April 2, 2021, respectively. Combined sales revenue does not reflect any accounting or *pro forma* adjustments that may be required to present consolidated or *pro forma* financial information. This combined financial information is presented for illustrative purposes only and is not necessarily representative of the Combined Group's results of operations for such a period or any future period. These amounts have not been audited, reviewed or verified by any auditor. This information is inherently subject to risks and uncertainties. As a result of the factors described above, investors should not place undue reliance on the combined financial information.

(2) Combined Adjusted EBITDA represents the simple aggregation of RENK Holding GmbH Group's Adjusted EBITDA for the twelve months ended March 31, 2021 and the Target Business's Adjusted EBITDA for the twelve months ended April 2, 2021 as further adjusted for synergies in an estimated amount of €1.7 million that the Group expects to realize following the closing of the Acquisition in the near-term. For purposes of calculating combined Adjusted EBITDA, the Target Business's Adjusted EBITDA has been converted into euro at a rate of $1.1414 per €1.00 for the fiscal year ended January 1, 2021, $1.1024 per €1.00 for the fiscal quarter ended April 3, 2020 and $1.2056 per €1.00 for the fiscal quarter ended April 2, 2021, respectively. Combined Adjusted EBITDA does not reflect any accounting or *pro forma* adjustments that may be required to present consolidated or *pro forma* financial information. This combined financial information is presented for illustrative purposes only and is not necessarily representative of the Combined Group's results of operations for such a period or any future period.

The Group believes that the Acquisition will provide it with the potential to realize synergies and cost savings. The Group intends to implement certain measures in the first twelve months following the Acquisition Closing Date, which it estimates may have a near-term positive impact on Adjusted EBITDA of €1.7 million. Potential cost savings and synergies for the Combined Group are expected to include the opportunity to insource certain services and products that are currently procured from third parties and thereby internalizing the margin on these services and products.

Although it is the Group's intention to achieve the level of projected synergies and cost savings reflected in Combined Adjusted EBITDA, no assurance can be given that such levels will be achieved in the timeframe indicated or at all or that unanticipated costs will not arise. The Group's synergy and cost savings estimates are based on a number of assumptions made in reliance on the information available to it and its judgment based on such information. The assumptions used in estimating synergies and cost savings are inherently subject to uncertainty and significant risks and uncertainties that could cause the Combined Group's results of operations to differ materially from those contained herein. See "*Risk Factors—Risks Related to the Market and the Combined Group's Business—Any investment or acquisitions the Combined Group makes could disrupt and materially harm its business. The Combined Group may be unable to successfully integrate or achieve expected benefits from recent or future acquisitions or investments.*"

These amounts have not been audited, reviewed or verified by any auditor. This information is inherently subject to risks and uncertainties. As a result of the factors described above, investors should not place undue reliance on the combined financial information.

(3) Combined Free Cash Flow represents the simple aggregation of RENK Holding GmbH Group's Free Cash Flow for the twelve months ended March 31, 2021 and the Target Business's Free Cash Flow for the twelve months ended April 2, 2021. For purposes of calculating combined Free Cash Flow, the Target Business's Free Cash Flow has been converted into euro at a rate of \$1.1414 per €1.00 for the fiscal year ended January 1, 2021, \$1.1024 per €1.00 for the fiscal quarter ended April 3, 2020 and \$1.2056 per €1.00 for the fiscal quarter ended April 2, 2021, respectively. Combined Free Cash Flow does not reflect any accounting or *pro forma* adjustments that may be required to present consolidated or *pro forma* financial information. This combined financial information is presented for illustrative purposes only not necessarily representative of the Combined Group's results of operations for such a period or any future period. These amounts have not been audited, reviewed or verified by any auditor. This information is inherently subject to risks and uncertainties. As a result of the factors described above, investors should not place undue reliance on the combined financial information.

(4) Combined Cash Conversion is calculated as Combined Free Cash Flow divided by Combined Adjusted EBITDA.

(5) As adjusted net debt is calculated as the sum of non-current and current financial liabilities (excluding liabilities under the Shareholder Loans) less cash and cash equivalents adjusted to give effect to (a) the Transactions as if they had occurred on March 31, 2021 and (b) the repayment of the Shareholder Loan II in the amount of €41.6 million on May 20, 2021. See "*Use of Proceeds*" and "*Capitalization.*"

(6) As adjusted cash interest expense reflects the interest expense on the Original Notes and the Additional Notes as if the Original Transactions and the Transactions had occurred on April 1, 2020. As adjusted cash interest expense is presented for illustrative purposes only and does not purport to represent what the Group's interest expense actually would have been, had the Original Transactions and the Transactions occurred on April 1, 2020, nor does it purport to project the Group's interest expense for any future period or the Group's financial condition at any future date. As adjusted cash interest expense does not include the commitment fees under the Cash RCF Facility, any guarantee fees for letters of credit or guarantees issued under the L/G RCF Facility or any other bilateral facility and interest expense attributable to lease liabilities.

RISK FACTORS

An investment in the Additional Notes to be issued in the Offering involves a high degree of risk. In addition to the other information contained in this offering memorandum, you should carefully consider the following risk factors before purchasing the Additional Notes. If any of the events described in the risk factors below occur, the Issuer's, the Group's and the Target Business's results of operations and financial condition could be materially and adversely affected, which in turn could adversely affect the Issuer's ability to repay the Additional Notes and accordingly the value of the Additional Notes. The risks described herein are not the only risks the Issuer, the Group and/or the Target Business faces. Additional risks and uncertainties not currently known to the Issuer, the Group and/or the Target Business or that the Issuer, the Group and/or the Target Business currently deem to be immaterial may also materially adversely affect their respective business, financial condition, operating results or prospects and thus on its ability to fulfil its obligations under the Additional Notes. In any such case, the Issuer may not be able to pay interest or principal on the Additional Notes when due and you may lose all or part of your investment in the Additional Notes.

This offering memorandum also contains forward-looking statements that involve risks and uncertainties. The Combined Group's actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described in this section and elsewhere in this offering memorandum. See "*Forward-Looking Statements.*"

Risks Related to the Market and the Combined Group's Business

The Combined Group is exposed to substantial risks associated with the performance of the global economy, political uncertainty, and the performance of the economy in the jurisdictions in which it operates.

As a global manufacturer of vehicle transmissions and engines, gear units, slide bearings, suspension systems, hybrid drive systems, couplings and test systems, the Combined Group is exposed to risks associated with fluctuations in the global economy. A slowdown in the global economy and elevated levels of private and public debt in various countries may cause demand to decline in many of its key markets. The situation may be exacerbated by protectionist tendencies, uncertainties regarding future monetary policy, armed conflicts that remain unresolved and related migration trends as well as the spread of infectious diseases (currently COVID-19). Also see "*—The Combined Group's business and results of operations have been and may continue to be adversely affected by the recent COVID-19 outbreak or other similar outbreaks.*" As part of the capital goods industry, the Combined Group is also exposed to fluctuations in the overall investment climate. Fluctuations in growth rates or forecasts, or alterations in government investment subsidies, can result in significant changes in demand for capital goods in the Combined Group's markets, cancellations of orders already booked or the reorganization of longer-term business relationships. Therefore, the Combined Group's sales revenue and results of operations have been influenced, and will continue to be influenced, by macroeconomic trends and the general state and performance of the global economy. Although the global economy has recovered from the downturn in 2008 and 2009, there can be no assurance that such recovery is sustainable or that there will be no recurrence of the financial and economic crisis or similar adverse market conditions. The outlook for the world economy remains subject to uncertainty, particularly in light of the impact of the COVID-19 pandemic, which has already lead to, and may continue to lead to prolonged, periods of economic uncertainty in many of the Combined Group's geographies. According to the International Monetary Fund, global GDP is estimated to have decreased by 3.3% in 2020. While there are early signs of a global recovery, the economic outlook remains highly uncertain and depends to a large degree on the future development of the COVID-19 pandemic and fiscal policies.

Moreover, the uncertainty following the United Kingdom's withdrawal from the EU ("**Brexit**"), the trade conflict between the United States and China and further changes to the trade policy of the United States may have a material adverse effect on the economy in the EU, including the German economy. Limitations impacting international trade, may have a negative impact on the export economy in general, and on the Group's sales and results of operations in particular. The Group particularly sees the risk that individual countries might take increasingly protectionist measures to improve their competitiveness in the global market, and other countries may institute corresponding countermeasures. This might result in market access barriers, such as higher import duties or more complicated certification processes in order to reduce imports, up to an international trade war. The markets for products in the military and government environment are also subject to additional event risks on account of their dependence on political decision-making—as regards opinions on export control law, the stipulations made by supplier countries such as Germany, France, the United Kingdom and the United States and the respective political environment in the target countries. There are also uncertainties due to cash-strapped public sectors in many countries, and demands for local content and technology transfer.

The materialization of any of the risks described above could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

The Combined Group's business and results of operations have been and may continue to be adversely affected by the current COVID-19 pandemic or other similar outbreaks.

Since early 2020, the global spread of COVID-19, commonly known as "coronavirus," has created significant macroeconomic uncertainty, volatility and disruption. In response, many governments have implemented policies intended to stop or slow the further spread of the disease, such as lockdowns, or restricted movement guidelines. As a result of the COVID-19 pandemic or other similar outbreaks or adverse public health developments or measures imposed to contain such outbreak, particularly in Europe and the United States, the Combined Group's business operations may experience delays or disruptions, such as the temporary suspension of operations at one or more of the Combined Group's manufacturing facilities and supply chains being interrupted, slowed, or rendered inoperable. In particular, the Combined Group's field service engineers might not be able to conduct their business as usual due to lockdown measures. This has already contributed to sales revenue decreasing by 1.5% from €558,609 thousand in the fiscal year ended December 31, 2019 for the former RENK AG Group to *as if* €550,207 thousand for the former RENK AG Group in the twelve month period ended December 31, 2020 . Should the current situation continue for a significant and unforeseeable amount of time, this could result in further sales revenue declines. In addition, the Combined Group's business, financial condition and results of operations could be materially adversely affected to the extent that the COVID-19 or any other pandemic or outbreak harms the international economy in general. The outbreak of COVID-19 might also have a long-term, impact in policy priorities in government spending to contain COVID-19 and its effect on macroeconomic conditions and may lead to reduced defense budgets and a delay in defense projects in general.

The spread of COVID-19 has caused the Group to modify its business practices (including employee travel, employee work locations and cancellation of physical participation in meetings, events, fairs and conferences), and the Group may take further actions as may be required by government authorities or that it determines are in the best interests of its employees, customers and business partners. There is no certainty that such measures will be sufficient to mitigate the risks posed by the virus or otherwise be satisfactory to government authorities. Due to the COVID-19 outbreak, the Group temporarily closed its facilities in France, India and the United Arab Emirates in 2020 and in 2021.

The extent to which the COVID-19 outbreak continues to impact the Combined Group's business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted at present, including new information which may emerge concerning the severity of the COVID-19 disease, the emergence of new variants of COVID-19, the effectiveness of vaccines and other actions to contain COVID-19 or treat its impact, among others. Even after the COVID-19 outbreak has subsided, the Combined Group may continue to experience materially adverse impacts to its business as a result of its global economic impact, including any recession and economic downturn that has occurred or may occur in the future.

There are no comparable recent events which may provide guidance as to the effect of the spread of COVID-19 and a global pandemic, and, as a result, the ultimate impact of the COVID-19 outbreak or a similar health pandemic is highly uncertain and subject to change. The Combined Group does not yet know the full extent of the impacts on its business, its operations or the global economy as a whole. However, the effects could have a material adverse effect on the Combined Group's business, financial condition and results of operations. To the extent the COVID-19 pandemic adversely affects its business, financial condition and results of operations, it may also have the effect of heightening many of the other risks described in this "*Risk Factors*" section.

The Combined Group operates in markets that are competitive.

The markets in which the Combined Group operates are competitive and have been characterized by changes in market penetration, price competition, and the development and introduction of new products, product designs and technologies. The Combined Group competes primarily on the basis of quality, innovation, timeliness of delivery and design as well as the ability to provide engineering support, repair know-how and service on a global basis. Should the Combined Group fail to secure the quality and reliability of its products as well as the reliability of its supply in the future, its customers may decide to procure products from its competitors. In particular in the civil marine market and several industrial end-markets that are currently under strain, the Group has observed that competitors are seeking to increase their market share by offering customers competitive prices. Accordingly, this increases pressure on the Group's business units to make production more cost efficient so that they can continue to secure customer orders in the future.

The Combined Group faces substantial competitive pressure, including with respect to localization requirements and export controls in many markets, also comprising the Combined Group's core sales markets. For example, in the defense business, the market accessible for the Combined Group with respect to medium-weight and heavy tracked vehicles has comparatively few comprehensive procurement projects that require long implementation periods and frequently feature only limited numbers. In particular, the use of German export controls increasingly affects the decision-making of potential customers. Lengthy processes at the competent German authorities may result in permits not being granted for deliveries of spare parts in a timely manner, which may result in customers seeking alternative suppliers.

With respect to the Combined Group's industrial markets, new competitors enter the markets the Combined Group serves, as well as new customers who bring new customer needs and demands to which the Combined Group may be unable to adapt. Entry of new players in any of its markets may make it difficult for the Combined Group to increase its market share, retain existing competitive positions or access new markets at all. In addition, some of the industries and markets in which the Combined Group is active are characterized by the establishment of new (local) competitors reducing dependence on foreign suppliers, particularly for the more time-sensitive aftermarket business. Increasing pricing-pressure in a more competitive market environment, combined with increased requirements concerning product performance and enhanced functionalities, may create a challenge to offset effects from a price and cost perspective. If the Combined Group is unable to offset price reductions through improved operating efficiencies and the realization of synergies, price reductions could negatively impact the Combined Group's profit margins.

In its industrial markets, the Combined Group is also increasingly faced with competitors from emerging countries who are exerting pressure on market prices. In addition, the Combined Group's customers are faced with competitive pressures, which are passed on to their suppliers including the Combined Group. The Combined Group is also faced with a shift of production of its customers to leading-cost countries, which typically requires the Combined Group to follow the customer with respect to its production capabilities. In addition, additional competitive pressure is added by the continuing trend of replacing slide bearings with rolling bearings for the lower power ranges.

In addition, some of the industries and markets in which the Group is active are characterized by consolidation among competitors and OEMs. Any future consolidation among the Combined Group's competitors and OEMs could allow them to benefit from economies of scale, offer more comprehensive combined product portfolios, and allow them to better penetrate the combined installed base with service offerings. This could require the Combined Group to accept reductions in its profit margins and the loss of market share due to price pressure.

The materialization of any of the risks described above could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

Export controls, tariffs and other trade barriers could affect the Combined Group's ability to produce, market and sell its products across global markets and affect the Combined Group's supply chains.

As a global manufacturer of vehicle transmissions and engines, gear units, slide bearings, suspension systems, hybrid drive systems, couplings and test systems, the Combined Group sources its production inputs from across the world, occasionally relies on global supply chains, and maintains production and sales operations in a large number of markets globally. This requires an established and efficiently connected infrastructure allowing for the cross-border transport of supplies, parts and products. This is even more important as the Combined Group seeks to globalize its operations.

The markets for products in the military and government environment are also subject to further highly likely event risks on account of their dependence on political decision-making—as regards opinions on export control law, the stipulations made by supplier countries such as Germany, France, the United Kingdom and the United States and the respective political environment in the target countries. In recent years, political distress, warfare, terrorist attacks, changing attitudes regarding globalization and other economic and geopolitical developments have led to the introduction of new export controls or stricter application of existing export controls in a number of jurisdictions around the world. The Combined Group's business, in particular its defense business, is subject to various risks that could have a material adverse effect on its business as whole, including: sanctions, import and export restrictions and tariffs, including restrictions promulgated by the Office of Foreign Assets Control of the US Department of the Treasury, and other trade protection regulations and measures, including the International Traffic in Arms Regulations.

As regards the United States, the Combined Group's supply chain is also subject to the Export Administration Regulations ("**EAR**") which are export control regulations enforced by the Bureau of Industry and Security of the Department of Commerce ("**BIS**"). The EAR regulates commercial commodities, software and technology, as "dual-use" items (having both commercial and military application) and certain defense items that are listed in the EAR Commerce Control List. In certain cases, prior licensing from the Department of Commerce is needed before the export of the controlled product or technology can occur. The refusal of licenses or the tightening of the EAR export regulations can have a material adverse effect on the Combined Group's business. Furthermore, the nature of the Target Business's activities and operations subjects it to significant government regulation including the requirements and obligations imposed under the EAR as well as requirements and obligations under the International Traffic in Arms Regulations ("**ITAR**"). The ITAR are export control regulations administered and enforced by the Department of State's Directorate of Defense Trade Controls ("**DDTC**"). The importance of export compliance for US companies like the Target Business that are engaged in significant overseas business involving controlled items and technologies imposes substantial compliance burdens and costs. It is essential that the Target Business maintain the resources and means necessary to assume these compliance obligations as a standalone business following the closing of the Acquisition. Failure to comply with any of these laws and regulations may expose the Combined Group to reputational harm as well as significant penalties, including criminal fines, imprisonment, civil fines, disgorgement of profits, injunctions and debarment from government contracts, as well as other remedial measures. Investigations of alleged violations can be expensive and disruptive. Despite the Combined Group's compliance efforts and activities, the Combined Group cannot assure compliance by its employees or representatives for which it may be held responsible, and any such violation could materially adversely affect the Combined Group's reputation, business, financial condition and results of operations.

Following Brexit on January 31, 2020, the EU and the United Kingdom ratified a trade and cooperation agreement governing their future relationship. The agreement addresses trade, economic arrangements, law enforcement, judicial cooperation and a governance framework including procedures for dispute resolution, among other things. Because the agreement merely sets forth a framework in many respects and will require complex additional bilateral negotiations between the United Kingdom and the EU as both parties continue to work on the rules for implementation, significant political and economic uncertainty remains about how the precise terms of the relationship between the parties will differ from the terms before withdrawal. In particular, Brexit poses additional challenges both to the supply of goods from the EU to the United Kingdom. For example, trade between the EU and the United Kingdom fell sharply at the beginning of 2021 as a result of new rules for trade including new border control procedures and customs forms. If the EU or the United Kingdom were to impose additional tariffs or other trade barriers, this could disrupt cross-border supply chains further.

In the United States, a recent reorientation of the country's overall economic policy occurred and, as a consequence, any introduction of regional or international trade barriers, including anti-dumping customs duties such as those imposed by the previous US administration for imported steel and aluminum, changes in taxation which have similar effects, or withdrawal from or renegotiation of multilateral trade agreements by the current administration could adversely impact the Combined Group's business operations and results of operations through less favorable conditions for the import of its products. Moreover, any countermeasures by regional or global trading partners, including the EU and China, could slow down global economic growth and also have an adverse impact on the export of the Combined Group's products manufactured in the United States and elsewhere.

Laws and regulations regarding export controls may originate nationally, bilaterally or even multilaterally between or among participating jurisdictions with a differing reach as to national or even extraterritorial application and relevance. Typically, export controls will apply to the transfer of pre-identified, listed products or categories of sensitive goods through the requirements of permits, limitations or prohibitions of sale.

This causes an increasing need for compliance measures, including the identification of critical goods, geographical sensitivities and contractual protections, as well as the adaptation of existing agreements and local sales practices and the ability to take short-term measures should events, trends or restrictions arise or increase in a way that affected the Combined Group's business practices.

Consequently, the Combined Group faces potential further increases in costs to be prepared for adverse developments of this type and for ongoing compliance with export controls relating to its commercial activities. Moreover, as export controls may change, be newly introduced on short notice, be difficult to interpret or be applied in an unexpected manner, there can be no assurances that the Group's internal controls and compliance systems are adequate to address all applicable risks.

The Combined Group is exposed to risks associated with market trends and technological developments, and the Combined Group may not be able to adapt sufficiently or in a timely manner.

The Combined Group's success depends on its ability to recognize market trends and technological changes and to develop and bring new and improved products to the market in a timely manner. The Combined Group's business requires a high level of technical expertise for the design, development and manufacture of its products. The Combined Group invests in technology, new materials and innovation which it believes will be critical to its long term growth and the Combined Group needs to continually adapt its expertise in response to emerging technological innovations, industry standards and customer requirements or preferences. The industrial markets in which the Combined Group is active are characterized by megatrends, such as electrification, power efficiency and automation, renewable energies and hybridization. In addition, digitalization is progressing rapidly and has already transformed certain sectors. The pace of implementation and adaptation represents an important success factor in this regard and, therefore, also a risk.

There can be no assurance that (i) the Combined Group will be successful in developing new products or systems or in bringing them to market in a timely manner, including due to an inability to effectively implement its business strategy or at all, (ii) products or technologies developed by others will not render the Combined Group's offerings obsolete or non-competitive, (iii) the Combined Group's customers will not substitute its products with competing products or alternate technologies, (iv) the market will accept the Combined Group's innovations, (v) the Combined Group's competitors will not be able to produce its non-patented products more inexpensively from other sources, (vi) the Combined Group will be able to anticipate its customers' needs and provide products to meet those needs and (vii) the Combined Group will be able to adjust its cost structure in the event of contraction of demand. Should the Combined Group fail to develop appropriate strategies as a response to these or similar market trends and should the Combined Group fail to enhance existing products, develop new products or keep pace with developing technology, growth opportunities could be lost or the Combined Group could lose existing customers. Furthermore, if the Combined Group devotes resources to the pursuit of new technologies and products that fail to be accepted in the marketplace or that fail to be commercially viable, all or part of these engineering and development expenses may be lost and the Combined Group's business may suffer.

The materialization of any of the risks described above could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

Many of the Combined Group's customers depend on government spending. Reductions in government spending could adversely affect the Combined Group's business, results of operations and financial condition.

Approximately two thirds of the Combined Group's sales revenue was generated in defense end-markets, in particular by sales of vehicle transmissions and engines as well as suspension systems and naval gear units, in the fiscal year ended December 31, 2020. The Combined Group's customers include governments, public authorities and companies that rely on government spending to purchase its products and services. The Combined Group expects that defense spending, in particular, by these customers, will continue to make up a significant part of the Combined Group's sales revenue in the future. However, government programs may be cancelled, delayed or amended based on many factors over which the Combined Group has no control, including socio-political considerations, general macroeconomic conditions or changes in government or administrative policy. Accordingly, the Combined Group may face uncertainties in planning and managing its resources. In addition, government spending programs, even if previously approved, are typically subject to anti-deficiency rules and annual reviews and adjustments and may, therefore, be cancelled at any time. Changes in political or public support for security and defense programs may also affect related government programs and defense spending. Geopolitical developments, including economic sanctions, could also affect demand for the Combined Group's products and services. In addition, the COVID-19 pandemic might also have an impact on policy priorities in government spending to contain COVID-19 and its effect on macroeconomic conditions and may lead to reduced defense budgets. See "*—The Combined Group's business and results of operations have been and may and continue to be adversely affected by the current COVID-19 pandemic or similar outbreaks.*"

The realization of any of these risks could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

The Combined Group is routinely subject to audits by its customers on government contracts and the results of such audits could have an adverse effect on the Combined Group's business, reputation and results of operations.

Government agencies routinely audit and investigate government contractors such as the Combined Group. These agencies frequently review a contractor's performance under its contracts, its cost structure, its business systems and compliance with applicable laws, regulations and standards. Government agencies have the ability to decrease or withhold certain payments if they deem systems subject to its review to be inadequate or not in compliance with the governmental contract. Additionally, any costs found to be misclassified may be subject to repayment.

If an audit or investigation uncovers improper or illegal activities, the Combined Group may be subject to civil or criminal proceedings and penalties as well as administrative sanctions or fines, including reductions in the value of contracts, contract modifications or terminations, forfeiture of profits, suspension of payments, contractual penalties, suspension, or prohibition from doing business with the respective government (*e.g.*, prohibited from participating in future public procurement procedures). In addition, the Combined Group could suffer serious reputational harm if allegations of impropriety were made against the Combined Group.

The Combined Group's business, financial conditions and results of operations may be adversely affected by government contracting risks.

The Combined Group is subject to various laws and regulations applicable to parties doing business with governments and government agencies and entities, including laws and regulations governing performance of German and foreign government contracts and security clearance of its facilities and employees. The laws and regulations to which the Combined Group is subject differ materially depending on the contracting government and conflicting rules or blocking statutes in such laws and regulations may prevent the Combined Group from taking on contracts with other governments. For example in Germany, applicable laws and regulation include, but are not limited to the Security Clearance Act (*Sicherheitsüberprüfungsgesetz/SÜG*) and the Secret Protection Manual (*Geheimschutzhandbuch*) of the Federal Ministry for Economic Affairs and Energy (*Bundesministerium für Wirtschaft und Energie*). In the United States, the Combined Group's federal government contracts subject it to the Federal Acquisition Regulation ("**FAR**") and agency supplemental regulations like the DFARS, the Competition in Contracting Act, the National Industrial Security Program ("**NISP**"), the False Claims Act and myriad other procurement-related laws, rules and regulations. The Combined Group is also strictly bound by contractual obligations to comply with such laws and regulations. If the Combined Group is found to have violated such laws or regulations, the Combined Group may be subject to civil or criminal proceedings and penalties as well as administrative sanctions or fines, including reductions in the value of contracts, contract modifications or terminations, forfeiture of profits, suspension of payments, contractual penalties, fines, suspension, debarment or other prohibition from doing business with the respective government (*e.g.*, prohibited from participating in future public procurement procedures). In addition, the Combined Group could suffer serious reputational harm if allegations of impropriety were made against the Combined Group. As a result of the need to comply with these laws and regulations, the Combined Group is subject to increased risks of governmental investigations, civil fraud actions, criminal prosecutions, whistleblower lawsuits and other enforcement actions.

The Combined Group also derives significant revenue from cost reimbursable defense contracts, where the consideration for the goods to be delivered or services to be rendered are based upon the cost incurred by the Combined Group in manufacturing and delivering them. The Combined Group is therefore exposed to enhanced risk of audit by government auditors to ensure that representations of cost are accurate in all material respects. Misrepresentations of cost could subject the Combined Group to the risks noted above. The Combined Group also derives revenue from fixed price contracts where the consideration for the goods or services delivered or provided are fixed at the time of contract award. The Combined Group is therefore exposed to risk that the actual costs incurred in connection with performing its obligations under such firm fixed price contracts are higher than assumed at the time of the contract. The Target Business may miscalculate these or costs or these costs may rise after the date of the relevant contract, including for reasons that are beyond the Target Business's control, such as increases in material costs, unexpected technical difficulties or delays. Any failure by the Target Business to correctly estimate or control the costs incurred by it in connection with firm fixed price contracts may have a material adverse effect on its profitability.

In addition, due to government contracts being procured through a competitive bidding process, they are much more prone to delays.

A disruption in the Combined Group's supply or delivery chain could cause one or more of its suppliers or customers to halt production.

A disruption in the Combined Group's supply and deliver chains could make the logistics process in its industries vulnerable to disruptions. These disruptions may result from many reasons, including closures of supplier facilities or critical manufacturing facilities due to strikes, mechanical breakdowns, electrical outages, fire, explosions, public health crises such as the ongoing COVID-19 pandemic as well as logistical complications resulting from weather or other natural disasters, mechanical failures and delayed customs processing. The lack of a subcomponent or raw material necessary to manufacture one of the Combined Group's products could require the Combined Group to prolong its production period. Risks may also arise in the course of significant projects. These may include problems in contract design, the miscalculation of orders, changes in economic and technical conditions, flaws in project management or inadequate performance by subcontractors. Even when products are ready to be shipped, or have been shipped, delays may arise before they reach the Combined Group's customer. When the Combined Group ceases timely deliveries, it has to absorb its own costs for identifying and solving the cause of the problem, as well as expeditiously producing and shipping replacement products. In addition, any such disruption in our supply and delivery chains may result in a delay and trigger penalty payments under our existing customer contracts.

The realization of any of these risks could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

The Combined Group is dependent on certain third-party suppliers and component producers who may not be willing or able to supply it with certain components.

The Combined Group purchases certain standard components, such as pumps, couplings, bearings and measurement and control technology, from third-party suppliers. The Combined Group cannot assure you that its material costs are not higher as a result of the Combined Group outsourcing production of these components to third-party suppliers. Usually, the Combined Group does not enter into contracts which would guarantee minimum quantities available. In addition, the Combined Group cannot assure you that such suppliers would be able to continue providing the Combined Group with an adequate quantity of components of the required quality in a timely manner. The Combined Group also cannot assure you that it would be able to find other suppliers with an adequate quantity and appropriate quality supply of components. The Combined Group's inability to obtain suitable sources of supply for necessary components used in its manufacturing and assembly processes, or to obtain these supplies on price terms favorable to the Combined Group, could have a material adverse effect on the Combined Group's financial condition and results of operations.

The Combined Group is exposed to risks associated with changes in currency exchange rates.

The Combined Group operates worldwide and is therefore exposed to financial risks that arise from changes in currency exchange rates. The Combined Group is exposed to currency risk if a Combined Group company performs transactions and incurs future cash flows in a currency other than its functional currency. The Combined Group's primary foreign currency exchange exposure is to the US dollar, the Swiss franc, the Japanese yen, the Chinese renminbi and the British pound. Fluctuations in foreign exchange rates could increase or reduce fluctuations in the prices of materials, since the Combined Group purchases a part of the raw materials which it sources with foreign currencies. As a result of these factors, fluctuations in exchange rates and, in particular a significant appreciation of the euro against other major currencies such as the US dollar, could affect the Combined Group's results of operations. Material risks are hedged using currency forwards and options. Significant customer contracts in foreign currency are hedged. Currencies with high correlation to the euro, and equity investments or equity-type loans in foreign currencies, are only hedged in individual cases. In addition, there is hedging for planned sales revenue in foreign currency from series production business within defined hedging ranges and, occasionally, for customer projects whose materialization is highly probable.

However, there can be no assurance that hedging will be available or continue to be available on commercially reasonable terms. As a result, the Combined Group may be unable to use derivative financial instruments in the future, to the extent necessary, and the Combined Group's hedging strategy could therefore ultimately be adversely affected.

The materialization of any of the risks described above could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

The Combined Group generates a significant amount of its sales revenue from a limited number of large customers.

The Combined Group depends on certain large value customers for a significant proportion of its sales revenue.

The loss of all or a substantial portion of the Combined Group's sales to any of its large volume customers could have a material adverse impact on the Combined Group's business, financial condition and results of operations. The Combined Group may make fewer sales to these customers for a number of reasons, including, but not limited to:

- reduced demand for the Combined Group's customers' products, including, in particular, as a result of cyclical downturns that disproportionately affect the Combined Group's customers' industries;
- loss of awarded business;
- strikes or other work stoppages affecting production by the Combined Group's customers;
- reduced or delayed customer requirements;
- bankruptcy or insolvency of a customer.

Furthermore, the Combined Group's customers may consolidate or merge from time to time. Consolidation among the Combined Group's customers, or mergers of the Combined Group's customers with entities that are not its customers, could result in an increasingly concentrated client base of large customers which could, among others, increase the bargaining power of the Combined Group's current and future customers. Any significant changes in the ownership or operation of the Combined Group's customers, as a result of consolidation, merger or otherwise, could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

The Target Business depends on US government customers for a significant portion of its sales revenue, and the loss of these relationships, a reduction in US government funding or a change in US government spending priorities could have an adverse impact on its business, financial condition and results of operations.

The Target Business is highly dependent on sales to US government customers, primarily defense-related programs with the Department of Defense. Therefore, any significant disruption or deterioration of our relationship with the US government would significantly reduce the Combined Group's sales revenue and have an adverse impact on its business, financial condition and results of operations. The Target Business operates in highly competitive markets, and the US government may choose to use contractors other than the Target Business, for example as part of competitive bidding processes, or otherwise due to its competitors' ongoing efforts to expand their business relationships with the US government. Some of the Target Business's competitors have greater financial resources than it does and may have more extensive or more specialized engineering, manufacturing and marketing capabilities than it does in some areas. The Target Business may not be able to continue to win competitively awarded contracts or to obtain task orders under multi-award contracts.

The US government programs relevant to the Target Business must compete with programs managed by other government contractors and with other policy imperatives for consideration for limited resources and for uncertain levels of funding during the budget and appropriations process. Budget and appropriations decisions made by the US government are outside of the Target Business's control and have long-term consequences for its business. US Government spending priorities and levels remain uncertain and difficult to predict and are affected by numerous factors, including sequestration (automatic, across-the-board US Government budgetary spending cuts) and potential alternative funding arrangements. A change in US Government spending priorities or an increase in non-procurement spending at the expense of programs relevant to the Target Business, or a reduction in total US Government spending, could have material adverse consequences on its current or future business.

The Combined Group, its suppliers or its customers may be unable to obtain or maintain sufficient financing, including working capital financing, and credit insurance.

The Combined Group's working capital requirements can vary, depending in part on the level, variability and timing of its customers' production, and the payment terms with its customers and suppliers. The Combined Group's liquidity could also be adversely impacted if its suppliers were to suspend normal trade credit terms and require payment in advance or on delivery. If the Combined Group's available cash flows from operating activities are not sufficient to fund its ongoing cash needs, the Combined Group would be required to look to its cash balances and availability for borrowings to satisfy those needs, as well as potential additional sources of capital, which may not be available on satisfactory terms, in sufficient amount or at all. There can be no assurance that the Combined Group, its suppliers or its customers will continue to have such ability. This may increase the risk that the Combined Group cannot produce its products or will have to pay higher prices for its inputs. These higher prices may not be recovered in our selling prices. Any significant change in the Combined

Group's needs for or the availability of working capital financing or credit insurance may have a material adverse effect on its liquidity, which could in turn adversely affect the Combined Group's business, financial condition and results of operations.

The Combined Group's future business success depends on its ability to maintain the high quality of the Combined Group's products and processes and the punctual delivery of ordered goods.

The Combined Group's products are often mission-critical for the vehicles, ships or other applications in which they are used. The Combined Group produces technologically complex products which must meet high quality standards and low tolerance ranges on account of their applications and the end-markets in which they are used. Products that have already been introduced in the market are subject to risks related to the product quality expected by customers. A decline in the actual or perceived quality of the Combined Group's products and processes could damage the Combined Group's image and reputation, including due to an inability to effectively implement the Combined Group's business strategy. This can occur due to a variety of factors including problems in contract design, the miscalculation of orders, changes in economic and technical conditions, flaws in project management or inadequate performance by subcontractors. In addition, defective products could result in loss of sales, loss of customers and loss of market acceptance or could damage the Combined Group's reputation and market perception, which, in turn, could have an adverse effect on the Combined Group's sales and results of operations. Moreover, product or design defects or quality issues could result in costs to remedy or repair such defects or issues, which may not be covered by the Combined Group's insurance policies and may require the Combined Group to establish provisions. Furthermore, the Combined Group's customers could potentially bring claims for damages, even if the cause of the defect is remedied at a later point in time. As a manufacturer, the Combined Group is currently and may, in the future, also be subject to regulatory inquiries and consequent proceedings if necessary specifications and quality assurances in respect of its products are not met.

In some countries, certain product certifications with regard to specifications and quality standards are necessary or preferred in order for these products to be accepted by customers and markets. As such, the Combined Group needs to be able to obtain and maintain the relevant certifications so that the Combined Group's customers are able to sell products which include components that are manufactured by it in such countries. In addition, some customers also require the Combined Group to maintain certain standards and conduct inspections at regular intervals to ensure the Combined Group maintains these standards. Any failure to meet or maintain the requirements needed to secure or renew such certifications could result in a material adverse effect on the Combined Group's business, financial conditions and results of operations.

In addition, delivery capabilities and delivery performance represent a key competitive factor. The Combined Group's products usually have a long implementation period. A failure by the Combined Group to meet contractual delivery dates could result in contractual penalties, expose the Combined Group to damage claims from its clients, lead to a loss of customers or negatively impact the Combined Group's reputation.

The materialization of any of these risks could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

The Combined Group may not be able to realize sales revenue represented by its Order Intake and Order Backlog.

The Combined Group presents Order Intake and Order Backlog as operational key performance indicators in this offering memorandum. The Combined Group's Order Intake and Order Backlog only include expected sales under binding contracts with customers and binding purchase orders. However, there can be no assurance that these contractual terms would not change, or that the Order Intake or Order Backlog will result in an actual recognition of sales revenue within the period initially anticipated, if at all. The Combined Group may experience variances in the realization of its estimated Order Intake and Order Backlog because of delays or cancellations, scope adjustments, external market factors and economic factors beyond its control. If the estimated Order Intake or Order Backlog fails to materialize as anticipated, the Combined Group's business, financial condition or results of operations would be materially and adversely affected. The Combined Group's Order Intake and Order Backlog does not provide a precise indication of the time period over which the Combined Group is contractually entitled to generate such sales revenue and there is no assurance that such sales revenue will be actually generated in the time frames anticipated, or at all. Our Order Intake and Order Backlog are computed based on facts known and assumptions deemed appropriate at the computation date.

The Combined Group's definition of Order Intake and Order Backlog may not necessarily be the same as that used by other companies engaged in activities similar to the Combined Group. As a result, the amount of Order Intake and Order Backlog reported by the Combined Group may not be comparable to similar metrics reported by such other companies.

The Combined Group may not be able to obtain the funding required for its R&D activities and these activities may not lead to the development of commercially successful products.

Developing new and improved products requires a substantial amount of capital funding and entails considerable uncertainty. Due to the complexities and uncertainties associated with R&D, products that the Combined Group is currently developing may not complete the development process or obtain the regulatory approvals required for the Combined Group to market such products successfully. If the Combined Group devotes resources to the pursuit of new technologies and products that fail to be accepted in the marketplace or that fail to become commercially viable, all or part of these R&D costs may be lost. Furthermore, should the Combined Group be unable to secure sufficient funding to finance its R&D activities, the Combined Group could lose its competitive position in a number of important and rapidly growing sub-markets. The former RENK AG Group incurred *as if* €14,964 thousand in research and development costs ("**R&D Costs**") in the twelve month period ended December 31, 2020 for the development of new and existing products and technology. In addition, the Group conducts similar research and development activities on an order-specific basis depending on its customers' demands and needs. These costs are recognized within the Group's cost of sales and are assigned to the respective customer order. These costs amounted to approximately 1.5 times the former RENK AG Group's *as if* R&D Costs in the twelve month period ended December 31, 2020.

The materialization of any of the risks described above could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

Certain of the Combined Group's end users operate in cyclical industries, which can result in uncertainty and significantly impact the demand for the Combined Group's products.

Some of the markets in which the Combined Group operates, including energy generation, oil & gas, cement and steel, could exhibit a degree of cyclicality. Decisions to purchase the Combined Group's products are largely a result of the performance of these and other industries the Combined Group serves. If demand for output in these industries decreases, investments in new machinery decreases and subsequently the demand for the Combined Group's products is also likely to decrease. Demand in these industries is impacted by numerous factors, including prices of commodities, interest rates, fuel costs, energy demands as well as economic growth. Increases or decreases in these variables globally may significantly impact the demand for the Combined Group's products. The Combined Group's business is characterized by high fixed costs. On the one hand, the Combined Group risks underutilization of it facilities if the markets in which it operates decline. An underutilization of the Combined Group's facilities could result in idle capacity costs, write-offs of inventories and losses on products due to falling average sale prices. Furthermore, falling production volumes cause declines in sales revenue and earnings.

The materialization of any of the risks described above could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

The Combined Group depends on its ability to attract and retain qualified executives, key employees and skilled and qualified personnel.

The Combined Group's success depends on attracting and retaining directors, executive officers, senior management, key employees (including employees with requisite security clearances from the governments that we contract with) and other skilled and unskilled personnel. More generally, the loss of directors, executives, key employees and other skilled personnel could have a material adverse effect on the Combined Group's market position. Due to intense competition within the industry, there is a risk of losing qualified employees to competitors or being unable to find a sufficient number of appropriate new employees. Considerable expertise could be lost or access thereto gained by competitors.

There is no assurance that the Combined Group will be successful in retaining its executives and the employees in key positions or in attracting new employees with corresponding qualifications. Although the Combined Group tries to retain the commitment of its qualified executives and key employees through performance-based remuneration systems, there is a risk that any such individuals will leave the Combined Group, including as a result of negotiations of collective bargaining agreement on terms that may be regarded as below market standard by employees.

The success of the Combined Group's operations and growth strategy will also depend on attracting and retaining skilled and unskilled personnel (including the need to identify, recruit, train and integrate additional employees) maintaining the Combined Group's high quality standards and implementing its standardized process and quality management globally. The labor markets for production staff in some of the regions in which the Group is active, such as Germany, France, Switzerland, the United Kingdom and the United States, were, at least prior to the COVID-19 pandemic, characterized by very low unemployment rates and strong employment growth, resulting in intense competition for qualified personnel and an increased turnover rate.

In addition, the Target Business is a federal contractor for the purposes of affirmative action plan requirements, which could impose elevated staffing burdens on the Combined Group, including restrictions on the Target Business' recruiting, hiring, promoting, terminating, and compensating employees as well as annual audit by the Office of Contract Compliance Programs and attendant exposure to potential damages for discrimination or other non-compliance with plan requirements.

The realization of any of these risks could have a material and adverse effect on the Combined Group's business, financial condition and results of operations.

The Combined Group's operations rely on complex IT systems and networks.

The Combined Group relies on centralized, standardized information technology ("**IT**") systems and networks to support business processes, as well as internal and external communications, including heightened security requirements due to the Combined Group's operations in the defense business, including the BSI Grundschutz Certificate. Any failure in the operation of these IT systems could result in material adverse consequences, including disruption of operations, loss of information or an unanticipated increase in costs. In addition, from time to time, the Combined Group may be required to make investments to maintain and/or upgrade the Combined Group's IT systems and networks and such investments may be significant.

In addition, the Combined Group's ability to keep its business operating depends on the proper and efficient operating and functioning of various IT systems which are susceptible to malfunctions and interruptions. Parts of the Combined Group's IT infrastructure could malfunction as a result of accidents, disasters, technical disruption, internet attacks and a range of other hardware, software or network problems, thereby impairing or completely shutting down business processes. Moreover, there are the risks of unauthorized access, theft and the destruction or misuse of business data and information. A significant or large-scale malfunction or interruption of one or more of the Combined Group's IT systems could adversely affect its ability to keep the Combined Group's operations running efficiently or at all and affect product availability. In addition, it is possible that a malfunction of the Combined Group's data security measures or a cyber-attack could enable unauthorized persons access to sensitive business or personal data, including information to its intellectual property or business strategy or those of its customers. As a business that is predominantly active in the defense industry, the Combined Group is a target of interest for governmental and non-governmental individuals and organizations. The Combined Group has in the past, and expects to continue to experience, attempts to compromise its IT systems with a view to accessing its data or otherwise interfering with its operations. While the Combined Group has not suffered any material loss of data or significant interruptions to its business operations to this date, such failure could cause economic loss for which the Combined Group could be liable and may expose the Combined Group to governmental investigations, disciplinary actions and fines. A failure of the Combined Group's IT systems could also cause damage to its reputation which could harm our business.

The realization of any risks related to the Combined Group's IT system and network disruptions could have a material adverse effect on its business, financial condition and results of operations.

The Combined Group could be adversely affected by property loss and unforeseen business interruption.

Damage and loss caused by fire, accidents, natural disasters, terrorism, political unrest, enhanced national security measures, conflicts, strained international relations, severe weather or other disruptions of the Combined Group's production process at its manufacturing facilities or within its supply chain, with respect to customers and with suppliers, can be severe. Such risks arising from business interruption and loss of production are insured at levels considered economically reasonable by the Combined Group, but the Combined Group's insurance coverage could prove insufficient in individual cases. Furthermore, such events could injure or result in the death of individuals or damage or destroy third party property or the environment, which could, among other things, lead to considerable financial costs for the Combined Group. In addition, our manufacturing processes are dependent on critical pieces of manufacturing equipment that may, on occasion, be out of service as a result of unanticipated failures, which may result in production bottlenecks and breakdowns.

The realization of any of these risks could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

Any investment or acquisitions the Combined Group makes could disrupt and materially harm its business. The Combined Group may be unable to successfully integrate or achieve expected benefits from recent or future acquisitions or investments.

The Group has pursued investments or acquisitions, such as the Acquisition or the acquisition of the Horstman Group by the former RENK AG on April 16, 2019, and may make investments or acquisitions in the future that the Combined Group believes present opportunities for growth and strengthening of the Combined Group's business, including by adding technological capabilities, improving the Combined Group's operational efficiencies including through the reorganization of the Combined Group, entering into joint venture or similar agreements, increasing the extent of the Combined Group's vertical integration or enhancing its geographical presence or customer relationships. Such investments and acquisitions involve a number of risks, including:

- difficulties in the integration of the acquired businesses, including potential integration or restructuring costs;
- the diversion of the Combined Group's management's attention from other business concerns;
- uncertainties in assessing the value, strengths and potential profitability of, and identifying the extent of all
- weaknesses of acquisition candidates;
- the assumption of unknown liabilities, including environmental, tax, pension and litigation liabilities, and
- undisclosed risks impacting the target;
- adverse effects on existing customer and supplier relationships;
- in the case of joint ventures, lack of control over certain decisions to be made with respect to such joint venture;
- incurrence of substantial indebtedness;
- integration of internal controls;
- entry into markets, including, potentially, emerging markets, in which the Combined Group has little or no direct prior experience;
- the potential loss of key customers, management and employees of an acquired business;
- the ability to achieve operating and financial synergies; and
- unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the Combined Group's rationale for pursuing the acquisition.

The Combined Group cannot ensure that it will be able to successfully integrate acquisitions that the Combined Group undertakes or that such acquisitions will perform as planned or prove to be beneficial to the Combined Group's business and results of operations. The occurrence of any one or more of these factors could cause the Combined Group not to realize the benefits anticipated to result from an acquisition and could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

The Combined Group is subject to risks related to its global operations.

The Combined Group's business is subject to certain risks associated with doing business internationally. Most of the Combined Group's operations are in the EU and, following the completion of the Acquisition, the United States, but the Combined Group also has manufacturing facilities in Switzerland and the United Kingdom as well as subsidiaries in China, Brazil, India, South Korea, Turkey as well as the United Arab Emirates. Further, the Combined Group intends to continue to pursue growth opportunities for the Combined Group's business in business environments outside the EU, in particular in growth markets such as Asia, which could exacerbate the risks set forth below.

The Combined Group's global operations and its expansion in growth markets are subject to various risks that could have a material adverse effect on those operations and the Combined Group's business as a whole, including:

- the burden of complying with multiple and possibly conflicting laws and unexpected changes in regulatory requirements;
- foreign currency exchange controls, sanctions, import and export restrictions and tariffs, including restrictions promulgated by the Office of Foreign Assets Control of the US Department of the Treasury, and other trade protection regulations and measures;
- political risks, including increased trade protectionism and risks of loss due to civil disturbances, acts of terrorism, acts of war and insurrection;
- underdeveloped infrastructure;
- unstable economic, financial and market conditions;
- currency exchange rate and interest rate fluctuations;
- hyperinflation in certain countries;
- difficulties in enforcement of third-party contractual obligations and intellectual property rights and collecting receivables through foreign legal systems;
- difficulty in staffing and managing international operations and the application of foreign labor regulations;
- lack of qualified management or adequately trained personnel;
- differing local product preferences and product requirements;
- potentially adverse tax consequences from changes in tax laws, requirements relating to withholding taxes on remittances and other payments by subsidiaries and restrictions on the Combined Group's ability to repatriate dividends from its subsidiaries;
- business environments in which fraud, bribery or corruption are common, condoned or encouraged by private or official actors; and
- exposure to liabilities under anti-corruption and anti-money laundering laws, including the US Foreign Corrupt Practices Act and similar laws and regulations in other jurisdictions.

Any of these factors could have a material adverse effect on the Combined Group's business, financial conditions and results of operations.

The forward-looking industry and market information presented in this offering memorandum could differ materially from the Combined Group's estimates or actual results.

The Group presents forward-looking industry and market information in this offering memorandum, which has been derived from internal company estimates, industry publications and third party reports. The Group cautions you that the development of the industry and markets in which it operates could differ materially from the estimates made in this offering memorandum. Factors that could cause or contribute to these differences include, but are not limited to, those discussed in these "*Risk Factors*" and "*Forward-Looking Statements*." In addition, the Group has not presented all of the industry and market information from available industry publications and third party reports, and certain of these sources estimate less favorable industry and market conditions in the future than have been estimated in this offering memorandum. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. As a result, neither the Group nor the Initial Purchaser make any representation or warranty as to the accuracy or completeness of the forward-looking industry or market information included in this offering memorandum. If the Combined Group's industry or the markets in which the Combined Group operates develop in a manner that is less favorable to it than is suggested by the estimates presented in this offering memorandum, this could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

If the Combined Group fails to maintain an effective system of internal controls, the Combined Group may be unable to accurately report financial results or prevent fraud.

The Combined Group's international operations require complex administrative, financial and operational processes at entities with different levels of maturity in terms of internal controls, evolving in a variety of legal environments and running different information systems. This also includes internal controls in relation with defense exports where significant fines can be imposed if not pre-approved by relevant governmental authorities. The Combined Group periodically evaluates the effectiveness of the design and operation of the

Combined Group's internal controls. Based on these evaluations, the Combined Group may conclude that enhancements, modifications, or changes to internal controls are necessary or desirable.

While management evaluates the effectiveness of the Combined Group's internal controls on a regular basis, these controls may not always be effective. There are inherent limitations on the effectiveness of internal controls, including fraud, collusion, management override, and failure in human judgment. In addition, control procedures are designed to reduce rather than eliminate business risks. If the Combined Group fails to maintain an effective system of internal controls, it may be subject to sanctions or investigation by regulatory authorities.

The materialization of any of the risks described above could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

Legal, Taxation and Environmental Risk

The Combined Group is exposed to warranty and product liability claims.

As a manufacturer, the Combined Group has in the past and is currently subject to product liability lawsuits and other proceedings alleging violations of due care, violation of warranty obligations (implied and expressed), treatment errors, safety provisions and claims arising from breaches of contract, recall actions or fines imposed by government or regulatory authorities. Any such lawsuits, proceedings and other claims could result in increased costs for the Combined Group. In addition, defective products could result in loss of sales revenue, loss of customers, and loss of market acceptance and reputation, of the Combined Group's customers' end-product, and could lead to cost of repair and replacement. The risks arising from such product liability lawsuits, proceedings and other claims are insured up to levels the Combined Group considers economically reasonable, but the insurance coverage could prove insufficient in individual cases.

In addition, vehicle, vessel and industrial machine manufacturers are increasingly requiring a contribution from their suppliers for potential product liability, warranty and recall claims, and the Combined Group has been subject to continuing efforts by the Combined Group's customers to change contract terms and conditions concerning warranty and recall participation.

Furthermore, the Combined Group's customers could potentially bring claims for damages on the basis of breach of contract, even if the cause of the defect is remedied at a later point in time. In addition, failure to perform with respect to quality requirements could negatively affect the market acceptance of the Combined Group's other products and its market reputation in various market segments.

The realization of any of these risks could have a material and adverse effect on the Combined Group's business, financial condition and results of operations. See "*Business—Legal and Arbitration Proceedings*."

The Combined Group is subject to risks from legal, administrative and arbitration proceedings.

The Combined Group companies are involved in legal, administrative and arbitration proceedings and could become involved in additional legal, administrative and arbitration proceedings. These proceedings or potential proceedings could involve, in particular in the United States, substantial claims for damages or other payments. Based on a judgment or a settlement agreement, the Combined Group could be obligated to pay substantial damages. The Combined Group's litigation costs and those of third parties could also be significant. Any adverse legal, administrative or arbitration proceedings could have a material adverse effect on the Combined Group's business, financial condition and results of operations. Significant claims or a substantial number of small claims may be expensive to defend, may divert the time and focus of management away from the Combined Group's operations and may result in it having to pay monetary damages, any of which could have a material adverse effect on the Combined Group's business, financial condition or results of operations. See "*Business—Legal and Arbitration Proceedings.*"

The Combined Group's compliance management system may fail to prevent or detect corruption, fraud, other criminal or unauthorized behavior.

The Combined Group has adopted a group compliance management system that is aimed, among other things, at preventing corruption, fraud and other criminal or unauthorized behavior by the Combined Group's managers, employees, consultants, agents and business partners. Although the Combined Group's global compliance organization continuously seeks to improve the effectiveness and efficiency of this system, the compliance management system may fail to prevent or detect willful or illegal, in particular collusive, behavior circumventing existing safeguards and controls. Similarly, the Combined Group's risk management function may fail to identify, mitigate or manage relevant risk exposures. Furthermore, it is possible that violations of existing law occur or have occurred despite careful observance of such legal requirements.

If the Combined Group's managers, employees, consultants, agents or business partners engage in corruption, fraud or other criminal or unauthorized behavior, the Combined Group could be subject to administrative, civil or criminal fines or other sanctions, such as the loss of business licenses or permits or other restrictions. Potential wrongdoing by the Combined Group's managers, employees, consultants, agents or business partners could also damage the Combined Group's reputation and have an adverse impact on its ability to compete for business.

The materialization of any of the risks described above could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

The Combined Group is exposed to risks in relation to compliance with anti-corruption laws and regulations and economic sanction programs.

Doing business on a worldwide basis requires the Combined Group to comply with the laws and regulations of various jurisdictions. The Combined Group's international operations are subject to applicable anti-corruption laws, such as the US Foreign Corrupt Practices Act of 1977 and the United Kingdom Bribery Act 2010, and regulations and economic sanction programs, including, without limitation, those administered by the United Nations, the European Union and United States (including without limitation by the Office of Foreign Asset Control) (collectively, "***Sanctions Laws***"). Economic sanctions programs may restrict the Combined Group's business dealings with certain sanctioned countries. As a result of doing business in foreign countries, the Combined Group is exposed to a risk of violating anti-corruption laws and Sanctions Laws applicable in those countries where the Combined Group, its partners or agents operate. The Combined Group's worldwide operations increase the risk of violations of anti-corruption laws, Sanctions Laws or similar laws. Some of the countries in which the Combined Group operates lack as developed a legal system as other locations and are perceived to have high levels of corruption.

Furthermore, if a public sector entity were to violate applicable procurement laws or regulations in connection with contracts entered into with the Combined Group or the Combined Group's marketing activities, the relevant authorities or a competitor could seek enforcement action against the Combined Group. Violations of anti-corruption laws and Sanctions Laws are punishable by civil penalties, including fines, denial of export privileges, injunctions, asset seizures, suspension or debarment from government contracts (and termination of existing contracts) and revocations or restrictions of licenses, as well as criminal fines and imprisonment. In addition, any major violations could have a significant material adverse impact on the Combined Group's reputation and consequently on its ability to win future business and on the Combined Group's business, financial condition or results of operations.

While the Combined Group has policies and procedures in place that are designed to promote compliance with applicable anti-corruption laws and Sanctions Laws, there can be no assurance that the Combined Group's policies and procedures have been followed, are followed or will be followed at all times or effectively detect and prevent violations of the applicable laws by one or more of the Combined Group's employees, consultants, agents or partners and, as a result, the Combined Group could be subject to penalties and material adverse consequences on the Combined Group's business, financial condition or results of operations if the Combined Group failed to prevent any such violations.

The Combined Group's material compliance management system may fail to prevent it from distributing products in the market in violation of the law or in non-compliance with customer specifications.

The Combined Group uses a material compliance management system to help it meet its commitment to using only components and raw materials that comply with the applicable laws and regulations and to provide products that meet all customer specifications. However, there is a risk that changes in requirements relating to materials are not identified in time, that products are distributed in the market in violation of the law or that products are delivered to customers that do not meet the customers' specifications. In case of violations of laws and regulations, the Combined Group could be subject to administrative or criminal fines or other sanctions. The Combined Group could also be exposed to civil damage claims from direct or indirect purchasers of the affected products. Finally, potential violations could also damage the Combined Group's reputation or negatively impact the perception of its products.

The materialization of any of the risks described above could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

The Combined Group could be held liable for soil, surface water or groundwater contamination or for risks related to hazardous wastes, substances and/or materials, including clean up obligations and third party claims (e.g., for bodily injury or property damage).

Many of the sites at which the Combined Group operates have been used for industrial purposes for many years, leading to risks of contamination and resulting site restoration obligations for the Combined Group. In addition, under federal and state environmental laws and regulations (including state property transfer laws), the Combined Group could be held responsible for the remediation of offsite areas impacted by the Combined Group's sites and operations, natural resource damages, and/or third party claims (*e.g.*, for bodily injury or property damage). Regulatory authorities could assert claims against the Combined Group, as the current or former owner or tenant (operator) of the affected sites or as the party that caused or contributed to the contamination, for the investigation or remediation or containment of such soil or groundwater contamination or other environmental media (*e.g.*, surface waters), including related to the Combined Group's use of non-owned treatment, storage and disposal sites or order the Combined Group to dispose of or treat contaminated soil excavated or water encountered in the course of construction. The Combined Group could also be liable to the owners or occupants of sites leased by the Combined Group, sites the Combined Group sells, or other impacted properties. Costs typically incurred in connection with such claims are generally difficult to predict. Also, if any contamination were to become a subject of public discussion, there is a risk that the Combined Group's reputation or relations with its customers could be harmed.

The Target Business's real property in Muskegon, United States is subject to a consent decree (the "**Consent Decree**") with the State of Michigan (former Michigan Department of Environmental Quality ("**MDEQ"**)) that requires extensive remedial and investigative activities of various contaminants in soil and ground water, which have been divided into several tasks. While the previous owner of the real estate is responsible for completion of these tasks, the Seller is also a party to such Consent Decree in its capacity as the current owner of the real property. The Consent Decree requires the Seller to grant to the previous owner and MDEQ access to the site and prescribe per diem monetary damages if the requisite access is not granted. Upon completion of the Acquisition, the Combined Group is expected to assume the Seller's obligations under the Consent Decree. In addition, the Combined Group may under certain circumstances be held responsible for the clean-up of existing contaminations and the Consent Decree does not exclude the potential for future clean-up obligations on the part of the Combined Group for other contamination caused by the Target Business or otherwise not covered by the Consent Decree. As part of the Group's due diligence of the Target Business, it was informed that elevated levels of per- and polyfluoroalkyl substances ("**PFAS**") were discovered in site wastewater in 2018. Although recent sampling did no longer indicate elevated levels of PFAS, there is a risk that this or other contaminations will result in clean-up obligations which may not be covered the Consent Decree or in respect of which the previous owner takes the position that they are not covered by the Consent Decree. While we have sought indemnification from the Seller for environmental damages under the Acquisition Agreement, this indemnification is subject to certain prerequisites and limits (including with respect to the overall amount of indemnification) and may therefore not be available to cover the Combined Group's costs and expenses in full or at all.

Several of the chemicals the Combined Group uses are or may be classified as substances of very high concern and are or could become subject to restrictions on use or become prohibited. If chemicals the Combined Group uses become subject to further restrictions on use or prohibited, the Combined Group must replace these substances, which may have a financial impact on the Combined Group's business operations.

The realization of any of these risks could have a material and adverse effect on the Combined Group's business, financial condition and results of operations.

The Combined Group's operations are subject to stringent applicable environmental laws and regulations, which are subject to change.

The nature of the Combined Group's business subjects it to significant government regulation, including, but not limited to, increasingly stringent environmental laws and regulations, chemicals and hazardous materials, as well as health and safety regulations in most jurisdictions where the Combined Group operates. This applies also to air, water and soil pollution regulations and to waste legislation and regulation, all of which have recently become more stringent through new laws, in particular, but not limited to, in the EU and the United States. Such laws and regulations also require permits, licenses and/or authorizations to be obtained and reports and forms to be completed and delivered, *inter alia*, to the competent authorities in connection with the operations of the Combined Group's business. For example, for the Combined Group's manufacturing facilities and operations, the Combined Group requires various permits and have to comply with the requirements specified therein. This regulatory framework imposes on the Combined Group significant day-to-day compliance burdens, costs and risks. In the past, adjusting to new requirements has required significant investments and the Combined Group assumes that further significant investments in this regard will be required in the future.

For instance, the Combined Group is subject to Regulation (EC) No. 1907/2006 (Registration, Evaluation, Authorization and Restriction of Chemicals (REACH)) and similar regulations under other applicable law which govern the production and use of chemicals. Several of the chemicals the Combined Group uses are or may be classified as substances of very high concern and are or could become subject to restrictions on use or become prohibited. If chemicals the Combined Group uses become subject to further restrictions on use or prohibited, the Combined Group must replace these substances, which may have a financial impact on the Combined Group's business operations.

Furthermore, the Combined Group's operations are subject to laws and regulations designed to limit emissions. This is particularly relevant for the Combined Group's sites that are located, mostly for historic reasons, in mixed-use areas with nearby residential properties, such as its site in Augsburg. In Germany, the construction and operation of coating facilities may depending on the production capacities, require a permit under the Federal Immission Control Act (*Bundes-Immisionsschutzgesetz*, "**BImSchG**"), which encompasses various approvals necessary for the construction and operation of facilities pursuant to other laws, including public-law approvals, registrations and consents. The operation of the relevant facility cannot generally be challenged or contested by third parties as long as the respective facility operates in compliance with its permit. In such cases, third parties can only require certain measures to mitigate any negative impact of a facility on the environment. To the extent such measures are impossible or uneconomical to implement based on state-of-the-art technology, the relevant third parties may only claim damages. Permits and additional administrative orders under the BImSchG may impose certain limitations (*e.g.,* stricter requirements with regard to permissible emissions or the use of the relevant facilities), with which the Combined Group has to comply. The Combined Group's German sites are subject to inspection requirements under the BImSchG and require certain permits under the BImSchG.

Many of the Combined Group's products are subject to comprehensive and constantly changing regulatory requirements that are not always homogeneous worldwide. These national and international regulations can impact the design, manufacture, marketing and sale of the Combined Group's products and services and are subject to increasing governmental scrutiny and enforcement. In particular, violation of such laws and regulations (including, but not limited to, failure to timely renew the Combined Group's licenses or comply with the conditions imposed by environmental authorities for the licenses to be valid and effective) may give rise to significant liability, including, but not limited to, fines and penalties, monetary and reputational damages, third party liabilities, limitations on the Combined Group's business operations and site closures, and there can be no assurance that the Combined Group has been and will be in material compliance with all applicable laws and regulations governing the protection of the environment and human health, including but not limited to laws and regulations concerning occupational and employee health and safety.

For example, in June 2019, the City of Augsburg requested remediation measures regarding a contamination of soil in the area of former oil and waste liquids tank. As of the date of this offering memorandum, the Group still has areas of contamination of soil and/or groundwater on the Group's Augsburg plant, whereby the City of Augsburg is involved in the remediation and/or monitoring process. The Group expects the finalization of the key remediation and monitoring measures in 2022 (with the exception of a minor groundwater monitoring measure, which will continue beyond 2022). Moreover, certain areas of the Target Business's real property in Muskegon, United States are subject to restrictive covenants under the Consent Decree. These covenants, among other things, require certain precautions to be taken in case of construction activity on the affected areas (e.g. with respect to the disposal of excavated soil) and limit the permitted use of the affected areas.

The realization of any of these risks could have a material and adverse effect on the Combined Group's business, financial condition and results of operations.

The Combined Group may fail to comply with applicable or future laws and regulations in relation to privacy and data protection or such laws and regulations may change in a manner that is unfavorable to the Combined Group's business.

The Combined Group is also subject to increasingly stringent data protection and privacy requirements, such as the EU General Data Protection Regulation (the "**GDPR**"), which became effective in all EU member states on May 25, 2018. The GDPR imposed stricter conditions and limitations in relation to the processing, use and transmission of personal data.

The GDPR introduced extensive documentation obligations and considerably higher transparency requirements, which affect not only initial data collection but also the monitoring and investigation once personal data has been collected. The Combined Group may not have prepared for these changes to the extent necessary and the Combined Group's preparations may not yield the expected results. Additionally, although the Combined Group strives to comply with all applicable laws, regulations and legal obligations relating to data usage and data protection, it is possible that these laws, regulations and other obligations may be interpreted and applied in a manner that is inconsistent with the Combined Group's practices. Furthermore, there can be no assurance that the Combined Group's practices have complied, comply or will comply fully with all such laws, regulations and other legal obligations. For example, the Combined Group may have saved data from its customers that it should not have saved pursuant to applicable data protection laws. The Combined Group's process of developing and advancing its data protection standards and procedures may take longer and require more resources than originally planned. Any non-compliance by the Combined Group with the applicable regulations could lead to fines and other sanctions. For example, the GDPR provides that violations can be fined, depending on the circumstances, by up to the higher of €20 million and 4% of the annual global turnover of the non-compliant company.

The materialization of any of the risks described above could have a material adverse effect on the Combined Group's business, financial condition or operations.

The Combined Group may face risks relating to climate change that could have an adverse impact on its business.

Greenhouse gas emissions have increasingly become the subject of substantial international, national, regional, state and local attention. Greenhouse gas emission laws and regulations have been promulgated in certain of the jurisdictions in which the Combined Group operates, and additional greenhouse gas requirements are in various stages of development.

For example, the United States Congress has considered legislation that would establish a nationwide limit on greenhouse gases. In addition, the US Environmental Protection Agency ("**EPA**") has issued regulations limiting greenhouse gas emissions from mobile and stationary sources pursuant to the US Clean Air Act. The final Carbon Pollution Standards for New, Modified and Reconstructed Power Plants reflect the degree of emission limitation achievable through the application of the best system of emission reduction that the EPA has determined has been adequately demonstrated for each type of unit.

When effective, such measures could require the Combined Group to modify existing or obtain new permits, implement additional pollution control technology, curtail operations or increase the Combined Group's operating costs. In addition, the Combined Group's customers may seek price reductions from the Combined Group to account for their increased costs resulting from greenhouse gas requirements. Thus, any additional regulation of greenhouse gas emissions, including through a cap-and-trade system, technology mandate, emissions tax, reporting requirement or other program, could adversely affect the Combined Group's business, financial condition and results of operations. In addition, this could also have an impact on the Combined Group's end-markets (particularly oil & gas).

In the European Union, regulations attempt to both reduce greenhouse gas emissions and to establish a mechanism for trading in carbon dioxide emission allowances. Under the EU Emission Trading System ("**ETS**"), the overall availability of emission allowances allocated free of charge has been significantly reduced for the second trading and third trading periods (2008 through 2012 and 2013 through 2020). The quantity of such emission allowances are generally reduced from 80% of total allowances in 2013 to 30% in 2020. Starting with the third trading period, there are no longer any national allocation plans, but an EU-wide cap set by the European Commission and uniform allocation rules for all member states. Under the currently applicable ETS, the EU-wide cap is lowered annually by a linear factor of 1.74% of the average annual total quantity of emission allowances issued in the EU in the second trading period. Beginning in the fourth trading period (2021-3030), the cap has been lowered by 2.2% per year to achieve the target of cutting EU emissions by 40% of 1990 levels by 2030, as agreed upon by the European Council in October 2014 as part of the 2030 climate and energy framework. In addition, from 2013 onwards, the auctioning of emission allowances has been introduced for the manufacturing sector.

Although the Combined Group has not been required to date to acquire emission allowances for the Group's covered operations, as the amount of its emissions does not exceed the thresholds that cause the applicability of the ETS, the Combined Group cannot predict with certainty whether those thresholds may not be decreased and/or what applicable thresholds in the future may be. If the Combined Group was required in the future to purchase emission allowances in the amount required for the Combined Group's production purposes, it could have material adverse effect on the Combined Group's business, financial condition and results of operations.

The Combined Group's operations are subject to the risk of health and safety liabilities.

The nature of the Combined Group's operations subjects it to various statutory and regulatory compliance and litigation risks under health, safety and employment ("**HSE**") laws. There can be no assurance that there will be no accidents or incidents suffered by the Combined Group's employees, contractors or other third parties on the Combined Group's sites. If any accidents or incidents occur, the Combined Group could be subject to prosecution and litigation, which could result in fines, penalties and other sanctions imposed on the Combined Group and could cause damage to the Combined Group's reputation. The realization of any of these risks could have a material adverse effect on the Combined Group's business, financial condition and results of operations. Due to the COVID-19 pandemic, there is a continued risk of temporary plant closures and contingency plans are therefore in place to limit resulting effects.

The Combined Group could be unsuccessful in adequately protecting its intellectual property and technical expertise.

The Combined Group's products and services are highly dependent upon its technological know-how and the scope and limitations of the Combined Group's proprietary rights therein. The Combined Group regularly applies for and has been granted intellectual property rights with respect to the Combined Group's innovations. The process of seeking patent protection can be lengthy and expensive. Furthermore, patents may not be granted on currently pending or future applications or may not be of sufficient scope or strength to provide the Combined Group with meaningful protection or a commercial advantage. In addition, while there is a presumption that patents are valid, the granting of a patent does not necessarily imply that it is effective or that possible patent claims can be enforced to the degree necessary or desired. Certain of the Combined Group's existing patents convey a narrow scope of protection, including in terms of geographic reach and goods and services covered. Additionally, the Combined Group's patents might have lapsed or expired. Further, the Combined Group's competitors, suppliers, customers and other third parties also submit a large number of intellectual property protection applications. Such other parties could hold effective and enforceable intellectual property rights to certain processes, methods or applications and consequently could assert infringement claims (including illegitimate ones) against the Combined Group.

A part of the Combined Group's know-how and industrial secrets is not patented and cannot be protected through intellectual property rights. Consequently, there is a risk that third parties, in particular competitors, will copy the Combined Group's know-how without incurring any expenses of their own.

The realization of any of these risks could have a material and adverse effect on the Combined Group's business, financial condition and results of operations.

There is a risk that the Combined Group infringes intellectual property rights of third parties.

The Combined Group's competitors, suppliers and customers also submit a large number of inventions for intellectual property protection. It is not always possible to determine with certainty whether there are effective and enforceable third party intellectual property rights to certain processes, methods or applications. In addition, where the Combined Group incorporates an individual customer's input to create a product that responds to a particular need, the Combined Group faces the risk that such customer will claim ownership rights in the associated intellectual property.

Therefore, third parties could assert infringement claims (including illegitimate ones) against the Combined Group. As a result, the Combined Group could be required to cease manufacturing, using or marketing the relevant technologies or products in certain countries or be forced to make changes to manufacturing processes or products. In addition, the Combined Group could be liable to pay compensation for infringements or could be forced to purchase licenses to make use of technology from third parties. This could have a material and adverse effect on the Combined Group's business, financial condition and results of operations.

The Combined Group may incur additional costs as a result of industry-wide collective bargaining agreements applicable to its employees.

Many of the Combined Group's employees in Germany and the United States are subject to collective bargaining agreements. If collective bargaining agreements which apply to the Combined Group are amended to the effect that they foresee higher benefits for employees in the future, this may lead to higher employment costs and higher social security contributions for the past and future. In particular, the Target Business's employees are currently subject to certain collective bargaining agreements for the Seller's group. Following completion of the Acquisition, the Combined Group will have to renegotiate certain of these agreements which it cannot assume. In the Acquisition Agreement, the Issuer has undertaken to provide compensation and benefits which are at least equal to those provided to the Target Business's employees under the current arrangements.

Increased costs due to amendments to collective bargaining agreements could have a material adverse effect on the Combined Group's business, financial condition and results of operation.

The Combined Group is exposed to risks in connection with the Combined Group's pension obligations, which may lead to unexpected funding obligations.

The Group has defined benefit pension plans in Germany, defined contribution pension plans in Switzerland and pay obligatory post-employment benefits in France and elsewhere in accordance with applicable local statutory provisions. As of December 31, 2020, the Group's defined benefit obligations amounted to €196.0 million and plan assets amounted to €179.9 million. As of December 31, 2020, the Group's provisions for pension obligations amounted to €16.0 million. In addition, while the Group does not assume the pension plans and other post-employment benefits provided to the employees of the Target Business, it has agreed to provide new pension and post-employment benefits to the Target Business's employees following completion of the Acquisition at a level that is at least equal to the level currently provided by the Target Business.

The Combined Group is also subject to risks associated with longevity, inflation changes in interest rates and salary increases in connection with the Combined Group's defined benefit pension plans as increases in life expectancy, lower than expected rate increase or higher than expected salary increases would increase the Combined Group's benefit obligations. Changes to local legislation and regulations relating to defined benefit plan funding requirements may also result in significant deviations in the timing and size of the expected cash contributions under such plans.

Any such increase in the Combined Group's benefit obligations could have a material adverse effect on the Combined Group's business, financial condition and results of operation.

The international scope of the Combined Group's operations and its corporate and financing structure may expose the Combined Group to potentially adverse tax consequences.

The Combined Group is subject to taxation in, and to the tax laws and regulations of, multiple jurisdictions as a result of the international scope of the Combined Group's operations and its corporate and financing structure. The Combined Group is also subject to intercompany pricing laws, including those relating to the flow of funds among the Combined Group companies pursuant to, for example, purchase agreements, licensing agreements or other arrangements. Adverse developments in these laws or regulations, or any change in position by the relevant authority regarding the application, administration or interpretation of these laws or regulations in any applicable jurisdiction, could adversely affect the Combined Group's business, results of operations and financial condition.

In addition, the tax authorities in any applicable jurisdiction may disagree with the positions the Combined Group has taken or intends to take regarding the tax treatment or characterization of any of the Combined Group's transactions, including, *e.g.*, the application of various VAT exemptions or characterization of the Combined Group's indebtedness, including the Notes, existing and future intercompany loans and guarantees, the deduction of interest expenses or the existence of foreign permanent establishments. The Combined Group could also fail, whether inadvertently or through reasons beyond the Combined Group's control, to comply with tax laws and regulations relating to the tax treatment of various of the Combined Group's financing arrangements, which could result in unfavorable tax treatment for such arrangements. If any applicable tax authorities were to successfully challenge the tax treatment or characterization of any of the Combined Group's intercompany loans or transactions, it could result in the disallowance of deductions, a limitation on the Combined Group's ability to deduct interest expenses, the imposition of withholding taxes, the application of significant penalties and accrued interest on intercompany loans or internal deemed transfers, the application of significant penalties and accrued interest or other consequences that could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

Pending and future tax audits and changes in fiscal regulations could lead to additional tax liabilities.

The Combined Group is subject to routine tax audits by local tax authorities in the countries in which it operates, for example in France and Germany. For example, the former RENK AG and RENK Test System

GmbH were subject to a general tax audit in Germany for the years 2011 to 2013 and a wage tax audit covering the years 2010 to 2014. Further, the German tax authorities have started the subsequent general tax audit for the years 2014 to 2016 and a wage tax audit for the years 2015 to 2018, with the latter one being finished and a tax audit for L3 Magnet-Motor GmbH for the years 2016 to 2019 is scheduled to start later in 2021. While the Combined Group believes that it has paid all material tax liabilities and filed all material tax returns as of the date of this offering memorandum, and made provisions that the Combined Group believes to be adequate with respect to material tax risks resulting from current or past tax audits, there can be no assurance that tax deficiencies will not be asserted against the Combined Group or that the taxes assessed by the competent authorities pursuant to such tax audits will not exceed such provisions. All of the tax assessments issued for periods which were not yet finally audited may be subject to review and future tax audits may result in additional tax and interest payments, which would negatively affect our financial condition and results of operation.

Future tax audits may result in additional tax and interest payments, which would negatively affect the Combined Group's financial condition and results of operation.

Due to restrictions on the deduction of interest expense or forfeiture of interest carry forwards under German tax laws, the Combined Group may be unable to fully deduct interest expenses on the Combined Group's financial liabilities.

Interest payments may not be fully deductible for tax purposes, which could adversely affect the Combined Group's financial condition and results of operation. Subject to certain requirements, the German interest barrier rules (*Zinsschranke*) impose certain restrictions on the deductibility of interest for tax purposes. Since 2008, the German interest barrier rules (*Zinsschranke*) in general have disallowed the deduction of net interest expense exceeding 30% of tax adjusted EBITDA. For purposes of the interest barrier rules, all businesses belonging to the same tax group (*Organschaft*) for corporate income and trade tax purposes are treated as one single business. Such consolidation is, *inter alia*, relevant for the calculation of the tax adjusted EBITDA. Any net interest expenses exceeding 30% of the Combined Group's tax adjusted EBITDA in any given year might not be deductible. The Group may, therefore, not be able to deduct the excess in the Combined Group's net interest expenses in calculating the Combined Group's taxable earnings for the relevant year. This may have an adverse effect on the Combined Group's liquidity and financial condition.

The value of the Combined Group's deferred tax assets could become impaired.

As of December 31, 2020, deferred tax assets of the Group amounted to €3,861 thousand. The Combined Group periodically assesses the probability of the realization of deferred tax assets, using significant estimates and judgments with respect to, among other things, market developments, the success of the Combined Group's customers and timing of future profits. If the Combined Group determines that in the future there is not sufficient positive evidence to support the valuation of the Combined Group's deferred tax assets, the Group may be required to write-off all or a part of these assets.

Risks Related to the Acquisition

The Acquisition is subject to uncertainties and risks.

On March 1, 2021, the Issuer and L3Harris Technologies, Inc. and L-3 Communications Holding GmbH, entered into an asset and stock purchase agreement for the acquisition and the transfer of the Target Business (the "**Acquisition Agreement**"). The closing of the Acquisition was subject to customary closing conditions, including, in particular, the receipt of merger control and other regulatory clearances in multiple jurisdictions. While all third-party conditions precedent to the closing of the Acquisition have been satisfied at the date of this offering memorandum, there can be no assurance that the Acquisition will close as expected or at all.

The Issuer does not currently control the Target Business and will not control the Target Business until the Acquisition Closing Date.

As of the date of this offering memorandum, the Issuer does not, directly or indirectly, own any of the assets or shares comprising the Target Business. As a result, the Issuer's ability to influence the Target Business's management is limited. In particular:

- The Target Business's management is independent and may not operate the business of the Target Business until the Acquisition Closing Date in the same way that the Issuer and the Sponsor would.

- Much of the information contained in this offering memorandum relating to the Target Business has been derived from public sources and, in the case of certain additional information relating to the Target Business, has been provided to the Issuer by the Sellers and the Target Business, and the Issuer has relied on such information that is publicly available or was supplied to it in its preparation of this offering memorandum.
- The Acquisition has required, and will likely continue to require, substantial time and focus from the Target Business's management, which could adversely affect their ability to operate the Target Business's business.
- In addition, the Target Business' management will be required to manage the business of the Target Business under its own responsibility and in a manner that is in the best interest of the Target Business.

The Issuer cannot assure holders of the Additional Notes that the Acquisition will be consummated as expected or at all.

The Issuer may not be able to enforce claims with respect to the representations, warranties and indemnity undertakings that the Sellers have provided to the Issuer under the Acquisition Agreement.

In connection with the Acquisition, the Sellers have given certain limited representations and warranties under the Acquisition Agreement. There can be no assurance that the Issuer will be able to enforce such claims against the Sellers relating to breaches of such representations and warranties. The Seller's liability with respect to breaches of its representations and warranties under the Acquisition Agreement is subject to significant exceptions and limitations. However, there can be no assurance that attempts to recover from the Sellers on breaches of representations and warranties will be successful and if amounts are recovered, they may be inadequate to cover any losses or damages resulting from the Seller's breach. Moreover, even if the Issuer ultimately succeeds in recovering any amounts from the Sellers, the Issuer may temporarily be required to bear these losses itself.

Amendments made to the Acquisition Agreement may have adverse consequences for holders of the Additional Notes.

The Acquisition is expected to be consummated in accordance with the terms of the Acquisition Agreement, as amended by the amendment agreement dated June 14, 2021. However, the Acquisition Agreement may be further amended and the closing conditions may be waived at any time by the parties thereto. Any amendment made to the Acquisition Agreement, or waiver of the conditions to the closing of the Acquisition, may be adverse to the interests of the holders of the Additional Notes, which, in turn, may have an adverse effect on the investment return you expect to receive on the Additional Notes.

Certain of the Target Business's contracts with customers and suppliers contain change of control and anti-assignment provisions, which may allow its counterparties to terminate the contract under certain circumstances, such as the Acquisition.

Certain of the Target Business's contracts with customers and suppliers contain "change of control" and "anti-assignment" provisions that require the Target Business to notify the counterparty of a potential change of control and, where necessary, to obtain their consent (through novation or otherwise) or contain language that could be interpreted as allowing, subject to certain conditions, the counterparty to terminate the contract. There can be no assurance that counterparties will give their consent nor that they will not seek to exercise termination rights in the future. If a substantial number of these contracts were terminated as a result of the Acquisition, the Target Business may be forced to enter into new contracts. Some of these new counterparties may have stronger bargaining positions than when the Target Business's existing contracts were originally negotiated. As a result, the Combined Group may not be able to secure replacement contracts, or the Combined Group may only be able to secure replacement contracts on less favorable terms. Any of these events could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

The Group's opportunity to conduct due diligence with respect to the Target Business was limited, and its due diligence may not have revealed all facts that may be relevant in connection with the Acquisition.

Before making investments, the Group conducts due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances of an investment, to identify possible risks associated with that investment. When conducting due diligence, the Group typically evaluates a number of important business, financial, tax, accounting, environmental and legal issues in determining whether or not to proceed with an investment. Outside consultants, legal advisors, accountants and investment banks are involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, the Group relies on resources available to it, including information provided by the target of the investment and, in some circumstances, third party investigations.

Instances of bribery, fraud, accounting irregularities, contingent liabilities and other improper, illegal or corrupt practices can be difficult to detect, and fraud and other deceptive practices can be widespread in certain jurisdictions.

There may be liabilities that the Group failed or was unable to discover in the course of performing due diligence investigations into the Target Business in connection with the Acquisition. Following the Acquisition, the Group may learn of additional information about the Target Business that adversely affect the Target Business, such as unknown or contingent liabilities and issues relating to compliance with applicable laws. Any such liabilities, individually or in the aggregate, could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

The Group cannot be certain that its due diligence investigation has revealed or highlighted all relevant facts (including fraud, bribery and other illegal activities and contingent liabilities) that may be necessary or helpful in evaluating the merits of investing in the Target Business. The Group also cannot be certain that its due diligence investigations will result in the investment in the Target Business being successful or that the actual financial performance of such investment will not fall short of the financial projections the Group used when evaluating that investment.

The Target Business may not successfully transition to operating as a standalone business.

The Target Business has historically been a part of the operations of the L3Harris Technologies, Inc. group (the "**L3H Group**"), which provided it with operational and other support. As a result of the Acquisition, the Target Business will become a part of the Combined Group and accordingly must either procure such operational and other support from the Group or develop and implement the systems and infrastructure necessary to support the Target Business's operations. The Combined Group cannot be certain that this transition will be successful. There may be errors, delays or other related issues resulting from the transition of the Target Business to the Combined Group and adjustments to associated business processes. Any such errors, delays or other issues could have a material and adverse impact on the Combined Group's business, financial condition and results of operations.

The Target Business may also incur costs in the future that have historically been part of L3H Group's larger costs base, including costs associated with health and welfare benefits for the Target Business's employees, as well as internal legal, tax, regulatory and treasury services. In particular, the Target Business will need to hire additional employees and bear the associated costs in connection with the transition to a part of the Combined Group.

The Target Business will enter into a transition services agreement with the Seller, and any breach thereof could have a significant adverse impact on the operations of the Target Business.

In connection with the Acquisition, the Seller will enter into a transition services agreement (the "**TSA**") with the Group to provide the Target Business with certain IT, operational licenses and administrative services for a limited time to help ensure an orderly transition following the Acquisition. The Target Business is reliant on the Seller to provide, directly or through its other operating entities, these IT, operational and administrative services for periods of up to six months, depending on the respective service, following the Acquisition pursuant to the TSA. If the Seller is unable or unwilling to provide such services pursuant to the TSA, the Combined Group may be unable to provide such services itself or the Combined Group may have to incur additional expenditures to obtain such services from another provider.

These services comprise a crucial portion of the Target Business's IT infrastructure, and while the Combined Group intends to obtain replacement services following the expiration of the TSA, there is no guarantee that it will be able to obtain such services on similar terms as the Target Business's existing services or at all. Any breach of the TSA prior to its agreed termination date or the inability to obtain replacement services could have a material adverse effect on the Target Business's business, results of operations and financial position following the completion of the Acquisition.

The Target Business may face unexpected difficulties and costs in integrating with the Group and may not be able to realize the anticipated synergies, operational efficiencies and cost savings from the Acquisition.

The Target Business may face unexpected difficulties and costs in integrating with the Group. The integration presents various challenges which may be difficult and costly to overcome and could prevent the Group from realizing the expected benefits of the Acquisition. The Group may experience difficulties and costs in integrating the assets of the Target Business in its operations. The expected benefits of the Acquisition, and in particular, the anticipated synergies and growth opportunities, may not be realized in full (or at all) or may take longer to realize than planned. Further, the integration of the Target Business may require management capacity which is not available for the further development of our business. In addition, we may lose employees who are instrumental for the integration and further development of the Combined Group's business as well as customers, suppliers and agents. Finally, the integration of the Target Business may cost materially more than the Group expects. Any of these risks could have a material adverse effect on the Combined Group's business, prospects, financial condition, results of operations and cash flows.

The Combined Group's actual financial position and results of operations may differ materially from the Unaudited Pro Forma Consolidated Financial Information included in this offering memorandum.

The Unaudited Pro Forma Consolidated Financial Information contained in this offering memorandum is presented for illustrative purposes only and may not be an indication of what the Combined Group's financial position or results of operations would have been had the Transactions been completed on the dates indicated. The Unaudited Pro Forma Consolidated Financial Information is based on the audited consolidated financial statements of RENK Holding GmbH and the combined financial statements of the Target Business included elsewhere in this offering memorandum, and certain *pro forma* adjustments and assumptions have been made in the preparation of such Unaudited Pro Forma Consolidated Financial Information. This Unaudited Pro Forma Consolidated Financial Information reflects the IFRS purchase accounting for the Target Business on a preliminary basis showing the difference between the preliminary purchase price and the net assets of the Target Business fully as goodwill. The Unaudited Pro Forma Consolidated Financial Information was not prepared in accordance with the requirements of Article 11 of Regulation S-X issued by the US Securities and Exchange Commission. The Combined Group's future reported results of operations and financial condition information may therefore differ from those that might be expected based on the Unaudited Pro Forma Consolidated Financial Information set forth in this offering memorandum.

In addition, the assumptions used in preparing the Unaudited Pro Forma Consolidated Financial Information may not prove to be accurate, and other factors may affect our financial condition or results of operations.

Furthermore, the Unaudited Pro Forma Consolidated Financial Information does not reflect future exceptional charges resulting from the Acquisition or future events that may occur, including restructuring activities or other costs related to the integration of the Target Business, and does not consider potential impacts of current market conditions on the results of operations. As a result of the factors described above, investors should not place undue reliance on the Unaudited Pro Forma Consolidated Financial Information. Any potential decline in the Combined Group's financial condition or results of operations may have a material adverse effect on the Combined Group's ability to service and ultimately repay its indebtedness.

The combined financial statements of the Target Business may not be representative of its future results.

The financial statements of the Target Business presented in this offering memorandum are combined financial statements prepared from the historical consolidated financial statements and accounting records of the Seller. The combined financial statements may not necessarily reflect what its results of operations, financial condition and cash flows would have been had the Target Business operated as a separate, stand-alone company or reporting segment during the periods presented in this offering memorandum and, in particular, the combined financial statements do not reflect the implementation of the separation.

The historical costs and expenses reflected in the combined financial statements include an allocation for certain corporate functions historically provided by the Seller, including legal, finance, human resources and other administrative functions. These allocations are based on what the Target Business and the Seller consider to be reasonable reflections of the historical utilization levels of these functions required in support of the Target Business.

Moreover, the combined financial statements do not reflect the costs of borrowing funds as a separate entity. The balance sheet information in the combined financial statements presented in this offering memorandum was derived from the Seller's centralized financial information. It includes items that are directly attributable and/or separately identifiable to the Target Business together with an allocation of relevant balances from the Sellers to the Target Business for those items that were not directly attributable or separately identifiable. A number of estimates, judgements and assumptions were made for the purpose of allocating those items that were not directly attributable and/or separately identifiable. See "*Presentation of Financial and Other Information*" and Note 1 of the Target Business's combined financial statements as of and for the fiscal years ended January 1, 2021 and January 3, 2020.

Further, the combined financial statements of the Target Business included in this offering memorandum are based on US GAAP, which differs in certain respects from IFRS. Because there are differences between US GAAP and IFRS, there could be certain significant differences in our results of operations, cash flows and financial position under IFRS.

The combined financial statements and the other historical financial information included in this offering memorandum do not necessarily indicate what the Target Business's results of operations, financial condition, cash flows or costs and expenses will be in the future.

This offering memorandum includes certain combined financial information of the Combined Group, which were not audited, reviewed or verfied by any auditor and which may not be reflective of the Combined Group's past performance or representative of its future results.

This offering memorandum contains certain combined historical financial information that has been computed by a simple aggregation of the relevant line items of the Target Business's and the Group's financial information, to present combined financial information of the Combined Group and does not reflect any accounting or *pro forma* adjustments that may be required to present consolidated or *pro forma* financial information. The combined financial information is presented for illustrative purposes only and may not be an indication of what the Combined Group's financial position or results of operations would have been had the Acquisition been completed as of the dates indicated or for any future period. These amounts have not been audited, reviewed or verified by any auditor. As a result of the factors described above, investors should not place undue reliance on the combined financial information of the Combined Group presented in this offering memorandum

The Sellers may compete with the Combined Group in the future, which may have an adverse effect on the Combined Group's financial condition and results of operations.

While the Acquisition Agreement restricts the ability of the Sellers from competing with the Target Business in the current geographical markets in which the Target Business operates, it will not prohibit the Sellers from engaging and participating in any capacity in the business of similar industry markets, engage in certain joint ventures or other strategic relationships with third parties competing with the Target Business or in new geographical markets. Lastly, the non-compete is subject to expiration under certain conditions set out in the Acquisition Agreement. If the Target Business experiences significant competition from the Sellers in the future, it could have a material adverse effect on its financial condition and results of operations.

Risks Related to Structure and Financial Position

The debt agreements of the Issuer and its subsidiaries contain customary financial and restrictive covenants that limit its operating flexibility.

The Indenture and the Super Senior Facilities Agreement contain covenants significantly restricting the Issuer and its subsidiaries' ability to, among other things:

- incur or guarantee additional indebtedness and issue certain preferred stock,
- create or incur liens,
- prepay or redeem subordinated debt or equity,
- make certain restricted payments and certain investments or sell or transfer certain assets,
- engage in certain transactions with affiliates or subsidiaries,
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to, and on the disposal, transfer or lease of assets by subsidiaries,
- sell, lease or transfer certain assets, including capital stock of subsidiaries,
- consolidate or merge with other entities, and

• impair the security interest for the benefit of the holders of the Notes.

In addition, the Super Senior Facilities Agreement contains a financial covenant as described under "*Description of Certain Financing Arrangements—Super Senior Facilities Agreement.*"

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

As a result of cross-acceleration or cross-default provisions in the instruments discussed above or under any other outstanding debt instruments, any breach of any covenant under those instruments could result in all amounts outstanding under any such instrument being accelerated and becoming due and payable. The Issuer may be unable to pay these debts in such circumstances.

If the Issuer or any of its subsidiaries are unable to comply with the financial and restrictive covenants included in the Indenture and the Super Senior Facilities Agreement or any future debt agreements, there could be a default under such agreements, which could result in an acceleration of repayment.

As described in the preceding risk factor, the Indenture and the Super Senior Facilities Agreement contain and any future debt agreements the Issuer or any of its subsidiaries enters into may contain, certain financial and restrictive covenants. The Issuer's or any of its subsidiaries' ability to comply with these covenants, including meeting financial ratios and tests, depends on a number of factors, some of which may be beyond the Issuer's or any of its subsidiaries' control, such as a deterioration of the industry and markets in which the Combined Group operates or a deviation from the assumptions contained in the Combined Group's business plan. As a result, the Combined Group may be unable to comply with its financial and restrictive covenants, and any failure may materially adversely affect the Combined Group's results of operations and financial condition.

The breach of a financial or other covenant or the Issuer's or any of its subsidiaries' failure to meet any of its obligations under any of the agreements governing its debt may result in a default under such agreements, which in turn could result in a number of adverse consequences, including prohibiting the Combined Group from drawing additional funds under credit facilities, significant increases in interest rates and other financing costs, the acceleration of all outstanding amounts under such agreements requiring the Issuer or any of its subsidiaries to immediately repay the related debt in whole or in part, and/or the commencement of foreclosure or other enforcement actions against any of the Combined Group's assets securing such debt. Defaults may also trigger cross-default and cross-acceleration clauses contained in the Issuer's or any of its subsidiaries' other debt agreements, including the Indenture, and the Group's liquid funds and short-term cash flow may be insufficient to service any of the debts in the circumstances described above. Accordingly, any failure by the Issuer or any of its subsidiaries to service its debts may have a materially adverse effect on its ability to satisfy our obligations, including under the Additional Notes and the related Guarantees.

The interests of the Sponsor may conflict with the interests of a holder of the Additional Notes.

The Sponsor indirectly owns the majority of the shares of the Issuer. As a result, the Issuer's shareholder has and will continue to have, directly or indirectly, the power to affect its legal and capital structure as well as the ability to elect and change its management and to approve other changes to the Issuer's operations and to influence the outcome of matters requiring action by its shareholder. Its shareholder's interests in certain circumstances may conflict with your interests as holder of the Additional Notes, particularly if the Issuer encounters financial difficulties or is unable to pay its debts when due. For example, the shareholder could vote to cause the Issuer to incur additional indebtedness. The Issuer's shareholder is in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with the Issuer. The Issuer's shareholder may also pursue acquisition opportunities that are complementary to the Issuer's business and, as a result, those acquisition opportunities may not be available to the Issuer. The Issuer's shareholder and its affiliates could also have an interest in pursuing acquisitions, divestitures (including one or more divestitures of all or part of the Issuer's business or sales of its shares which would result in changes to its shareholding structure), financings, dividend distributions or other transactions that, in its judgment, could enhance its equity investments, although such transactions might involve risks to you as a holder of Additional Notes.

The Combined Group's substantial leverage may make it difficult for it to operate its business.

Upon completion of the Transactions, the Combined Group will have significant debt service obligations. See "*Description of Certain Financing Arrangements,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Former RENK AG Group and RENK Holding GmbH Group,*" and "*Summary Historical Financial Information and Other Information.*" As of March 31, 2021, after giving effect to the Transactions as described under "*Use of Proceeds,*" the Issuer would have had total as adjusted financial debt (excluding liabilities under the Shareholder Loans) of €525.7 million. In addition, the Combined Group would have had the ability to borrow up to €50.0 million under the Cash RCF Facility, up to €175.0 million under the L/G RCF Facility and up to €10.0 million under a bilateral guarantee facility.

The Combined Group's significant leverage could have important consequences to holders of the Additional Notes, including:

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

Any of these or other consequences or events could have a material adverse effect on the Combined Group's margins and results of operations and financial condition, which in turn, could have a material adverse effect on the Combined Group's ability to satisfy its obligations, including under the Additional Notes and the related Guarantees.

As a result of cross-acceleration or cross-default provisions in the instruments discussed above or under any other outstanding debt instruments, any breach of any covenant under those instruments could result in all amounts outstanding under any such instrument being accelerated and becoming due and payable. The Issuer may be unable to pay these debts in such circumstances.

In addition, under the "*Limitation on Restricted Payments*" covenant in the Indenture and the Super Senior Facilities Agreement, the Issuer or any of its subsidiaries is permitted to make significant dividend payments and other distributions to its shareholders, which could also increase its leverage. To the extent the Combined Group becomes even more leveraged or incur additional obligations, the risks described above will intensify.

The Issuer or any of its subsidiaries may incur significant additional amounts of debt, which could adversely affect its business, prevent it from fulfilling its obligations with respect to the Additional Notes and further exacerbate the risks associated with its substantial indebtedness.

The Indenture and the Super Senior Facilities Agreement permit the Issuer and its subsidiaries to incur substantial additional indebtedness, including up to €50.0 million under the Cash RCF Facility and up to €175.0 million under the L/G RCF Facility and certain other debt, which may be secured and that shares in the Collateral securing the Additional Notes and the Original Notes. Certain creditors with respect to its debt, including lenders under the Super Senior Facilities Agreement, counterparties to certain hedging obligations and lenders under any other additional credit facilities which are entitled to rank "super-senior" will receive proceeds from the enforcement of security granted over the Collateral or certain distressed disposals prior to the holders of the Additional Notes and the Original Notes. The Indenture permits the Issuer and its subsidiaries to incur certain additional debt that may be secured on property and assets that do not secure the Notes, which debt as a result will be effectively senior to the Notes to the extent of the value of such property and assets. In addition, the Indenture allows the Issuer's non-guarantor subsidiaries to incur certain additional debt that would be structurally senior to the Notes and will not prevent the Issuer and its subsidiaries from incurring liabilities that do not constitute "Indebtedness" as defined thereunder. The agreements governing the Combined Group generally limit its ability to incur additional indebtedness, but do not prohibit it from doing so. Borrowings under debt instruments that contain cross-acceleration or cross-default provisions may as a result also be accelerated and become due and payable. The Issuer or any of its subsidiaries may be unable to pay these debts in such circumstances. The incurrence of additional indebtedness would increase the leverage-related risks described in this offering memorandum.

The borrowings under the Super Senior Facilities Agreement bear interest at floating rates that could rise significantly, increasing the Combined Group's interest cost and debt and reducing its cash flows.

Borrowings under the Super Senior Facilities Agreement are at variable rates of interest, which could rise significantly in the future. Although the Issuer or any of its subsidiaries may enter into and maintain certain hedging arrangements designed to fix a portion of these rates, there can be no assurances that hedging will continue to be available on commercially reasonable terms. Hedging itself carries certain risks, including that the Issuer or any of its subsidiaries may need to pay a significant amount (including costs) to terminate any hedging arrangements. If interest rates rise in the future, the Combined Group's interest expense associated with any variable rate obligations that are not hedged would increase, even though the amounts borrowed would remain the same, reducing cash flows available to fund future operations, capital expenditures, business opportunities, acquisitions and other general corporate purposes, including satisfying the Issuer's debt service obligations, including under the Notes and the Guarantees.

Changes in, or uncertainty relating to, the EURIBOR and LIBOR calculation process may adversely affect the interest the Issuer pays on its Super Senior Facilities.

The Super Senior Facilities bear interest at interest rates based on EURIBOR and LIBOR, which are deemed to be "benchmarks" and are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted.

Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU (which, for these purposes, includes the United Kingdom). Among other things, it (i) requires benchmark administrators to be authorized or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognized or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorized or registered (or, if non-EU based, not deemed equivalent or recognized or endorsed).

The Benchmarks Regulation could have a material impact on the Super Senior Facilities, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark. More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

On July 27, 2017, the U.K. Financial Conduct Authority (the "**FCA**") announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The discontinuation of the LIBOR benchmark has been the subject of various releases by global regulators but uncertainty remains around the precise discontinuation dates. The current expectation is that most LIBOR fixings will cease to take place from December 31, 2021, with the exception of certain US dollar LIBOR settings, which will continue to be provided until June 30, 2023. The FCA is being granted powers by the UK government which are currently before the UK parliament.

The potential elimination of the LIBOR benchmark or any other benchmark, changes in the manner of administration of any benchmark, or actions by regulators or law enforcement agencies could result in changes to the manner in which EURIBOR or other benchmark rates are determined, which could require an adjustment to the terms and conditions in respect of any debt linked to such benchmark, among other consequences. Any such change, as well as manipulative practices or the cessation thereof, could result in a sudden or prolonged increase in reported EURIBOR and other benchmark rates, which could have an adverse impact on our ability to service debt that bears interest at floating rates of interest. These powers will permit the FCA to direct the LIBOR administrator to, amongst other things, change the LIBOR methodology to create what is being referred to as synthetic LIBOR. The FCA is not compelled to exercise these powers and the FCA is currently consulting on the circumstances in which it would consider doing so. Further, it is unlikely that the FCA would exercise these powers in relation to all LIBOR currencies.

Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, may result in a sudden or prolonged increase in reported EURIBOR or LIBOR, which could have an adverse impact on the interest we pay on borrowings under the Super Senior Facilities. To the extent that interest rates were to increase significantly, our interest expense could correspondingly increase, thereby reducing our cash flows.

The Combined Group requires a significant amount of cash to service its debt, and its ability to generate sufficient cash depends on factors that may be beyond our control.

The Combined Group's ability to service and refinance its debt and to fund future operations and capital expenditures is highly dependent on the Combined Group's future operating performance and the Combined Group's ability to generate sufficient cash flows. To a significant degree, the Combined Group's future operating performance and ability to generate cash flows is, in turn, dependent on various general economic, financial, competitive, market, legislative, regulatory and other factors that are outside the Combined Group's control. Due to any of these factors, the Combined Group may be unable to generate sufficient cash flows from its operating activities, anticipated sales growth, cost saving or operational efficiency improvements, and any future debt or equity financing may not be available to the Combined Group in amounts, which would enable the Combined Group to pay the principal premium and interest of its indebtedness, including the Additional Notes.

To the extent that the Combined Group's cash flows from operating activities are insufficient to meet its liquidity needs and service its debt, the Group would have to seek additional debt or equity financing. If the Combined Group's future cash flows from operating activities and other capital resources are insufficient to pay the Combined Group's various obligations as they mature or to fund its ongoing liquidity needs, the Issuer and its subsidiaries may be forced, among other things, to reduce or delay business activities and capital expenditures, sell assets or forego opportunities such as acquisitions of other businesses. There can be no assurance that any of these alternatives can be accomplished on a timely basis or on satisfactory terms, if at all. Further, the Combined Group may be compelled to restructure or refinance all or a portion of its debt, including the Additional Notes, on or before their maturity. The Combined Group may face the additional risk that in order to refinance its debt, the Combined Group could be required to agree to more onerous covenants, which would further restrict its business operations. The occurrence of any event described above may have a materially adverse effect on the Combined Group's margins and results of operations and financial condition.

The Combined Group may be unable to extend or refinance our debt on favorable terms or at all.

Amounts outstanding under the Super Senior Facilities and other future borrowings must potentially be repaid before the maturity date of the Notes. The Combined Group's ability to pay and refinance its debt or its ability to fund its working capital and capital expenditures is heavily reliant on the Combined Group's future operating performance and the Combined Group's ability to generate a sufficient cash flows. The Combined Group may be unable to achieve any refinancing on a timely basis or on satisfactory terms. The Combined Group may also be limited in our ability to pursue refinancing alternatives by the terms and conditions of its existing debt agreements. The Combined Group's inability to refinance its debt obligations on or prior to their maturity on favorable terms or at all could have a material adverse effect on its ability to service and repay the Notes.

Risks Related to the Additional Notes and the Guarantees and the Collateral

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

The Security Documents relating to the Additional Notes and the Original Notes will allow the 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 Collateral to the extent that it relates to their assets. So long as no acceleration event has occurred and subject to certain conditions, the 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 Collateral, such as selling, factoring, abandoning or otherwise disposing of the Collateral and making ordinary course cash payments, including repayments of indebtedness.

The Additional Notes, the Original Notes and the related Guarantees will be structurally subordinated to the liabilities of the Group's non-Guarantor subsidiaries.

On or about the Additional Notes Issue Date, the Additional Notes will be guaranteed by the Initial Guarantors and within 30 days of the Acquisition Closing Date the Additional Notes will be guaranteed by the Post-Acquisition Date Guarantors. None of the other subsidiaries of the Issuer will guarantee the Additional Notes. The Issuer's non-Guarantor subsidiaries will not have any obligations to pay amounts due under the Additional Notes or the Original Notes or to make funds available for that purpose unless they guarantee the Additional Notes and the Original Notes. Generally, claims of creditors of a non-Guarantor subsidiary, including trade creditors and preference shareholders (if any), will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims by holders under the Additional Notes, the Original Notes or the Guarantees. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of the non-Guarantor entities, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity. As such, the Additional Notes, the Original Notes and each Guarantee will be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of the Combined Group's non-Guarantor entities. In addition, the Indenture as well as the Combined Group's other indebtedness allow the non-Guarantor subsidiaries to incur additional debt in the future, which will be structurally senior to the Notes. As of and for the twelve month period ended March 31, 2021, the sales revenue, Adjusted EBITDA and total assets, each calculated on an aggregated, unconsolidated basis and excluding intra-group profits of the Guarantors, together represented more than 85% of the combined sales revenue, combined Adjusted EBITDA and combined total assets of the Combined Group, respectively. As of March 31, 2021, on an adjusted basis for the Transactions, these non-Guarantor entities had approximately €6.0 million of financial debt. See "*Description of Certain Financing Arrangements*" and "*Description of the Notes.*"

Pursuant to the Intercreditor Agreement, creditors under the Super Senior Facilities Agreement, certain hedging obligations and certain additional indebtedness with "super senior" status are entitled to be repaid with the proceeds of the Collateral sold in any enforcement procedure in priority to the Additional Notes and Original Notes.

The obligations of the Issuer under the Additional Notes and the related Guarantees will be secured on a first-priority basis with security interests over the Collateral that also secures the obligations under the Super Senior Facilities, the Original Notes, certain hedging obligations and certain additional indebtedness with "super senior" status. The Indenture also permits the Collateral to be pledged to secure additional indebtedness in accordance with the terms thereof and the Intercreditor Agreement. Pursuant to the Intercreditor Agreement, the liabilities under the Super Senior Facilities, certain hedging obligations and certain additional indebtedness with "super senior" status have priority over any amounts received from the sale of the Collateral pursuant to an enforcement action taken with respect to the Collateral. As such, in the event of a foreclosure on the Collateral, holders of the Additional Notes and the Original Notes may not be able to recover on the Collateral if the then-outstanding claims under the Super Senior Facilities, certain hedging obligations and certain additional indebtedness with "super senior" status are greater than the proceeds realized. Any proceeds from an enforcement sale of the Collateral by any creditor will, after all obligations under the Super Senior Facilities, certain hedging obligations and certain additional indebtedness with "super senior" status have been discharged from such recoveries, be applied *pro rata* in repayment of the Additional Notes, the Original Notes and any other obligations secured by the Collateral on an equal basis with the Additional Notes and the Original Notes.

The Collateral will secure amounts under certain guarantee facilities which are more likely to become due in circumstances when an enforcement action may be taken.

The Super Senior Facilities comprise of the Cash RCF Facility and the L/G RCF Facility. The Cash RCF Facility may be utilized by the drawing of cash advances and any rollover drawings and/or by way of ancillary facilities. The L/G RCF Facility may be utilized by the issue of bank guarantees and letters of credit.

In the ordinary course of business, amounts under the L/G RCF Facility are likely to operate in a contingent manner rather than requiring immediate repayment. However, in the types of circumstances where the Collateral may become enforceable, including upon a payment default or insolvency related default under the Additional Notes, the Original Notes, the Cash RCF Facility and the L/G RCF Facility, these contingent claims are likely to crystallize. This may occur, for instance, if third parties that have been provided guarantees under contracts will call on their guarantees. This will mean that amounts under such facilities will become due and payable and will recover the proceeds of Collateral in priority to the Additional Notes and the Original Notes. See also "*—Pursuant to the Intercreditor Agreement, creditors under the Super Senior Facilities Agreement, creditors of certain additional indebtedness and certain hedging obligations are entitled to be repaid with the proceeds of the Collateral sold in any enforcement procedure in priority to the Additional Notes and the Original Notes*."

If the Super Senior Facilities are not repaid in full in prescribed amounts of time as set forth in the Intercreditor Agreement, creditors under the Cash RCF Facility and the L/G RCF Facility as super senior creditors will become the instructing group for enforcement of the security. See also "*—The Intercreditor Agreement will provide that a common Security Agent, who will also serve as the security agent in relation to the Super Senior Facilities Agreement and any additional secured debt permitted to be incurred under the Indenture and the Super Senior Facilities Agreement, will act only as provided for in the Intercreditor Agreement*."

The Additional Notes, the Original Notes and the related Guarantees will be effectively subordinated to additional indebtedness that the Issuer may incur to the extent such debt is secured by assets that do not also secure the Additional Notes, the Original Notes and the related Guarantees.

Although the Indenture restricts the Issuer's and its restricted subsidiaries' ability to pledge any assets as collateral to secure other debt and require the Issuer and its restricted subsidiaries to secure the Additional Notes and the Original Notes equally and ratably if the Issuer pledges any assets for the benefit of certain other debt, both the restriction on pledging assets or incurring liens and the requirement to provide equal security to the Additional Notes, the Original Notes and the related Guarantees are subject to a number of significant exceptions and carve-outs. See "*Description of the Notes—Certain Covenants—Limitation on Liens*." For example, if the Issuer or its restricted subsidiaries acquire assets subject to security interests securing other indebtedness, such security interests will be permitted to remain in place under the terms of the Indenture and will not trigger a requirement to secure the Additional Notes, the Original Notes or the related Guarantees equally and ratably. To the extent, the Issuer or any of its subsidiaries pledges any assets for the benefit of other debt without also securing the Additional Notes, the Original Notes and the related Guarantees, the Additional Notes, the Original Notes and the related Guarantees will be effectively subordinated to such debt to the extent of the value of such assets. Because of the foregoing, holders of (present or future) secured debt of the Issuer and its restricted subsidiaries may recover disproportionately more on their claims than the holders of the Additional Notes or the Original Notes in an insolvency, bankruptcy or similar proceeding. The Issuer and the Guarantors may not have sufficient assets remaining to satisfy their respective obligations under the Additional Notes, the Original Notes and the related Guarantees.

The Collateral only extends to certain assets of the Group and may not be sufficient to secure the obligations under the Additional Notes, the Original Notes and the related Guarantees and such collateral may be diluted under certain circumstances.

The Additional Notes and the related Guarantees will be secured by the Collateral, which will also secure the Original Notes, the obligations under the Super Senior Facilities, certain hedging obligations and certain additional indebtedness with "super senior" status on a first-priority basis. The Collateral may also secure additional debt to the extent permitted by the Indenture and the Intercreditor Agreement. Any holders' of the Additional Notes or the Original Notes rights to the Collateral may be diluted by the incurrence of any additional debt which is secured by the Collateral or a reduction of the Collateral securing the Additional Notes or the Original Notes.

No appraisals of any of the Collateral have been prepared by the Group or on the Group's behalf in connection with the Offering, and the value of the Collateral and the amount to be received upon an enforcement of such Collateral will depend upon many factors, including, among others, the ability to sell the Collateral in an orderly sale, economic conditions where operations are located and the availability of buyers. The book value of the Collateral should not be relied on as a measure of realizable value for such assets. All or a portion of the Collateral may be illiquid and may have no readily ascertainable market value. Similarly, the Group cannot assure you that there will be a market for the sale of the Collateral, or, if such a market exists, that there will not be a substantial delay in its liquidation. In addition, the share pledges of an entity may be of no value if that entity is subject to an insolvency or bankruptcy proceeding. If the proceeds of any sale of Collateral are not sufficient to repay all amounts due on the Additional Notes, the Original Notes and the related Guarantees, the investors (to the extent not repaid from the proceeds of the sale of the Collateral) would have only an unsecured claim against the Issuer's and the Guarantors' remaining assets.

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

On the Additional Notes Issue Date, the Additional Notes will not be secured by all of the Collateral, as further described under "*Description of the Notes—Security*." On the Additional Notes Issue Date, the Additional Notes will be secured by the Initial Collateral. Within 30 days following the Acquisition Closing Date, the Additional Notes will, subject to the Agreed Security Principles (as defined herein) be secured by the Post-Acquisition Date Collateral. The security interests will be limited to the same extent as those under the Original Notes and the Super Senior Facilities and otherwise as set forth under "*Certain Insolvency Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests,"* which limitations could be significant. The Additional Notes will only be guaranteed by the Original Guarantors on the Additional Notes Issue Date. Within 30 business days following the Acquisition Closing Date, the obligations of the Issuer pursuant to the Additional Notes will, subject to the agreed security principles, be guaranteed, jointly and severally on a senior basis, by the Post-Acquisition Guarantors. Each of the Guarantors will also be a guarantor under the Original Notes and the Super Senior Facilities. The validity and enforceability of the Guarantees will be subject to significant limitations as described in "*Certain Insolvency Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*."

It should be noted that if a guarantee or a security interest granted by a Guarantor in certain jurisdictions is granted or perfected after the secured obligation arose, such guarantee or security interest may be subject to claw-back provisions under applicable local insolvency laws and are described in more detail under "*Certain Insolvency Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*."

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

The Collateral will be subject to exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture and the terms of the Super Senior Facilities Agreement, whether on or after the date the Original Notes are first issued. The existence of such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral, as well as the ability of the Security Agent to realize or foreclose on such Collateral. Furthermore, the ranking of security interests can be affected by a variety of factors, including the timely satisfaction of perfection requirements (including registration requirements), statutory liens or re-characterization under the laws of certain jurisdictions.

The Collateral may be subject to practical problems generally associated with the realization of security interests in collateral. For example, it may be difficult for the Security Agent to sell the Combined Group's assets in an enforcement scenario. The Security Agent may also need to obtain the consent of a third party to enforce a security interest. For example, pursuant to Sections 55 et seq. of the German Foreign Trade Regulation (*Außenwirtschaftsverordnung*) a purchase by a person not resident in the European Union of shares in a German company may under certain circumstances require an approval by the German Federal Ministry of Economics and Energy (*Bundesministerium für Wirtschaft und Energie*). Not obtaining such an approval may—depending on the character of the purchased company's business—render the purchase provisionally invalid (*schwebend unwirksam*). The denial of the approval would either render the purchase permanently invalid or lead to additional obligations with respect to the relevant shares or the rescission (*Rückabwicklung*) of the purchase.

The Security Agent may not be able to obtain any such consent. In addition, the consents of any third parties may not be given, when required, to facilitate a foreclosure on such assets. In particular, to the extent that any other first-priority and pre-existing security interests permitted under the Indenture and the terms of the Super Senior Facilities Agreement and other rights encumber the Collateral securing the Additional Notes, the Original Notes and the related Guarantees, these parties may have or may exercise rights and remedies with respect to the Collateral. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Collateral may significantly decrease.

Holders of the Additional Notes and the Original Notes may not control certain decisions regarding the Collateral. The Intercreditor Agreement will provide that a common Security Agent, who will also serve as the security agent in relation to the Super Senior Facilities Agreement and any additional secured debt permitted to be incurred under the Indenture and the Super Senior Facilities Agreement, will act only as provided for in the Intercreditor Agreement.

In general, the facility agent under the Super Senior Facilities Agreement, the holders of the Additional Notes and the Original Notes and the agents under any permitted future senior secured debt, voting as provided below, will have, subject to certain restrictions, the ability to provide enforcement instructions to the Security Agent to enforce the shared Collateral. The Intercreditor Agreement will provide that, where there is an inconsistency between enforcement instructions provided by the holders of 66⅔% of the aggregate of all outstanding liabilities under the Cash RCF Facility, the L/G RCF Facility and certain hedging obligations (the "**Majority Super Senior Creditors**") and the holders of more than 50% of "**Majority Senior Secured Creditors**," the aggregate of the Additional Notes, the Original Notes and all liabilities outstanding under any other indebtedness sharing the Collateral and certain hedging obligations on a first-ranking basis, the latter instructions will prevail. However, if and to the extent the obligations under the Super Senior Facilities Agreement and other super senior liabilities have not been fully discharged within six months of the end of an initial consultation period or no enforcement action has been taken within three months of such date or an insolvency event (as defined in the Intercreditor Agreement) occurs, the enforcement instructions provided by the Majority Super Senior Creditors will prevail. The lenders under the Super Senior Facilities Agreement and certain hedging counterparties may have interests that are different from the interests of holders of the 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 Notes to do so.

These arrangements could be disadvantageous to the holders of the Notes in a number of other respects. Other creditors not subject to the Intercreditor Agreement could commence an enforcement action against the Issuer or its subsidiaries during such period, the Issuer or one or more of its subsidiaries could seek protection under applicable bankruptcy laws or the value of certain Collateral could otherwise be impaired or reduced.

In addition, in certain circumstances, including acceleration of the Super Senior Facilities, the Additional Notes or the Original Notes, any amounts recovered from the enforcement of Collateral or other asset sales will be required to be turned over to the Security Agent. Subject to the prior payment of fees and expenses of the agent under the Super Senior Facilities, the Trustee and the Security Agent, the Intercreditor Agreement requires the Security Agent to pay amounts turned over to it or otherwise received by it with respect to the Additional Notes and the Original Notes, such as proceeds from the enforcement of the Collateral and other asset sales, to the lenders under the Super Senior Facilities Agreement and certain hedging counterparties in priority to the holders of the Additional Notes and the Original Notes.

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

The Issuer is organized under the laws of Germany and the Guarantors are incorporated in the United Kingdom. Enforcement of the obligations under a Guarantee against, and/or any Collateral provided by, as applicable, any such Guarantor and/or security provider will be subject to certain defenses available to the relevant Guarantor or security provider. These laws and defenses may include those that relate to fraudulent conveyance, financial assistance, corporate benefit, capital maintenance, liquidity maintenance or similar laws as well as regulations or defenses affecting the rights of creditors generally, particularly by limiting the amounts recoverable under the Guarantees and Collateral, as applicable. 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, liquidity 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.

As a result, a Guarantor's or security provider's liability under its Guarantee or the Security Documents 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 Security Interest 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 Security Interest should be limited or voided. To the extent that any limitations on the relevant Guarantees or Security Interests apply, the Additional Notes and Original 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 Security Interests may be subject to similar limitations. See *"Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests."*

Other limitations on the Guarantees and the Collateral, including fraudulent conveyance statutes, may adversely affect their validity and enforceability.

The Issuer is organized under the laws of Germany and the Guarantors are incorporated in the United Kingdom. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in Germany, the United Kingdom or other relevant jurisdictions.

Although laws differ among various jurisdictions, in general, under bankruptcy or insolvency law and other laws, a court could (i) avoid or invalidate all or a portion of a Guarantor's or security provider's obligations under its Guarantee or the Collateral, as applicable, (ii) direct that the recipient returns any amounts paid under a Guarantee, or return any proceeds received in connection with the enforcement of the Collateral, to the relevant Guarantor or security provider or to a fund for the benefit of the Guarantor's or the security provider's creditors or (iii) take other action that is detrimental to you, typically if the court found that:

- the relevant Guarantee was incurred, or the relevant Collateral was granted, with actual intent to give preference to one creditor over another, hinder, delay or defraud creditors or shareholders of the Guarantor or security provider, as applicable, or, in certain jurisdictions, when the granting of the Guarantee or the Collateral, as applicable, has the effect of giving a creditor a preference or when the recipient was aware that the Guarantor or security provider, as applicable, was insolvent when it granted the relevant Guarantee or the Collateral, as applicable;
- the Guarantor or security provider, as applicable, did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Guarantee or the Collateral, as applicable, and the Guarantor or security provider, as applicable, was: (i) insolvent or rendered insolvent because of the relevant Guarantee or the Collateral, as applicable; (ii) undercapitalized or became undercapitalized because of the relevant Guarantee or the Collateral, as applicable; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the relevant Guarantee or the Collateral, as applicable, was held to exceed the corporate objects of the Guarantor or security provider, as applicable, or not to be in the best interests or for the corporate benefit of the Guarantor or security provider, as applicable; or
- the amount paid or payable under the relevant Guarantee or enforced or to be enforced under the relevant Collateral, as applicable, was in excess of the maximum amount permitted under applicable law. These or similar laws may also apply to any future Guarantee or Collateral granted by any of the Group's subsidiaries pursuant to the Guarantee Agreement.

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

The liability of each Guarantor or security provider, as applicable, under its Guarantee or the Collateral, as applicable, will be limited to the amount that will result in such Guarantee or the Collateral, as applicable, not constituting a preference, fraudulent transfer or conveyance or otherwise being set aside. However, there can be no assurance as to what standard a court will apply in making a determination of the maximum liability of each Guarantor or security provider, as applicable. There is a possibility that the entire Guarantee or the relevant Collateral, as applicable, may be set aside, in which case the entire liability may be extinguished.

If a court decided that a Guarantee or the relevant Collateral, as applicable, was a preference, fraudulent transfer or conveyance and voided such Guarantee or Collateral, as applicable, or held it unenforceable for any other reason, you may cease to have any claim with respect to the relevant Guarantor or security provider, as applicable, and would be a creditor solely of the Issuer and, if applicable, of any other Guarantor or security provider under the relevant Guarantee or the Collateral, as applicable, that has not been declared void. In the event that any Guarantee or relevant Collateral, as applicable, is invalid or unenforceable, in whole or in part, or to the extent the agreed limitation of the Guarantee or relevant Collateral, as applicable, obligations apply, the Additional Notes and the Original Notes would be effectively subordinated to all liabilities of the applicable Guarantor or security provider, as applicable, and if the Issuer cannot satisfy its obligations under the Additional Notes, the Original Notes, or any Guarantee or relevant Collateral, as applicable, is found to be a preference, fraudulent transfer or conveyance or is otherwise set aside, the Issuer cannot assure you that it can repay in full the amounts outstanding under the Notes. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests.*"

Enforcement of the Collateral across multiple jurisdictions may be difficult.

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

The insolvency laws of Germany, the United Kingdom and other applicable jurisdictions may not be as favorable to you as the US bankruptcy laws or those insolvency laws of another jurisdiction with which you are familiar with and may preclude holders of the Notes from recovering payments due on the Notes.

The Issuer is organized under the laws of Germany and the Guarantors are incorporated in the United Kingdom. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in Germany, the United Kingdom or other relevant jurisdictions. Such multi-jurisdictional proceedings may be complex and more costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. Your rights under the Notes, the Guarantees and the Collateral will be subject to the 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, multiple bankruptcy, insolvency or similar proceedings.

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

For more information, regarding insolvency laws and enforceability issues as they relate to the Guarantees and security interests in the Collateral, see "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests.*"

Rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral or even if perfected may not be easy to enforce.

Under applicable law, a security interest in certain assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor, as applicable, of the security. The liens on the Collateral securing the Additional Notes and the Original Notes may not be perfected in terms of validity, enforceability, ranking or otherwise with respect to the claims of the Additional Notes or the Original Notes if the Issuer, the Guarantors, the Security Agent or any other third party fail or are unable to take the actions (*e.g.*, as for filing, registration, modification or other requirements) required to perfect any of these liens.

Absent perfection, the holder of the security interest may have difficulty enforcing such holder's rights in the Collateral with regard to third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral and some security interests do not actually create the purported security interest if not properly perfected. In addition, a debtor may discharge its obligation by paying the security provider until, but not after, the debtor receives a notification of the existence of the security interest granted by the security provider in favor of the security taken over the claims the security taker (as creditor) has against the debtor. In particular, the Federal Assignment of Claims Act 1940, as amended from time to time, provides that an assignment of claims with respect to certain United States government contracts will not become effective until a specified notice, executed by the security provider, has been duly provided to the relevent debtor. Under the Agreed Security Principles, the Issuer and the Guarantors are not required to comply with such notice requirement prior to an enforcement scenario. Therefore, such assignment may not be enforceable vis-à-vis the debtor until such notice has been provided. Additionally, the security provider and relevent debtor may amend or terminate the agreement subject to the assignment until such notice.

Finally, since the ranking of pledges is sometimes determined by the date on which they became enforceable against third parties, a security interest created on a later date over the same Collateral, but which came into force for third parties earlier (by way of registration in the appropriate register or by notification) may have priority. Neither the Trustee nor the Security Agent has any obligation or responsibility to monitor the acquisition of additional property or rights that constitute collateral or the perfection of, or to take steps or actions to perfect or ensure the perfection of, any security interest in the Notes against third parties. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests*" for further information.

Furthermore, it should be noted that neither the Trustee nor the Security Agent shall have any obligation to take any steps or action to perfect any of these liens.

The granting of the Guarantees and security interests in connection with the Additional Notes may fall within the scope of and the granting of shared security interests in connection with the incurrence of permitted debt in the future may create or re-start hardening periods for such security interests in accordance with the laws applicable in certain jurisdictions.

The granting of the Guarantees and security interests to secure the Additional Notes and the related Guarantees, when issued, may fall within the scope of hardening periods or voidance periods for such Guarantees and security interests in accordance with the laws applicable in certain jurisdictions. In addition, the granting of shared security interests to secure future indebtedness permitted to be secured on the Collateral may restart or reopen hardening periods or voidance periods for such security interests in Germany, the United Kingdom or certain jurisdictions, in particular as the Indenture permits the release and retaking of security granted in favor of the Notes in certain circumstances, including in connection with the incurrence of future indebtedness, the transfer of Collateral among the Issuer and its subsidiaries from time to time and the implementation of certain corporate reorganizations. The applicable hardening or voidance period for these new security interests can run from the moment each new security interest has been granted or perfected. If the security interest were granted or recreated or were to be enforced during the respective hardening or voidance period applicable in such jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it.

The same rights also apply following the issuance of the Additional 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 Additional Notes, as applicable.

The Guarantees and security interests in the Collateral for the benefit of holders of the Additional Notes will be granted to the Security Agent rather than directly to you. The ability of the Security Agent to enforce the Collateral may be restricted by local law.

The Guarantees and the security interests in the Collateral that will secure the obligations of the Issuer under the Additional Notes and the obligations of the Guarantors under the Guarantees of the Additional Notes will not be granted directly to the holders of the Additional Notes. Instead, they will be granted only in favor of the Security Agent.

The Indenture provides that only the Security Agent has the right to enforce its rights under the Security Documents in accordance with the terms of the Intercreditor Agreement and the Guarantees in accordance with the terms thereof. As a consequence, holders of the Additional Notes will not have direct security interests or Guarantee claims and will not be entitled to take enforcement action with respect to the Collateral securing the Additional Notes or the related Guarantees, except through the Trustee, who will (on behalf of the holders of the Additional Notes and subject to the provisions of the Indenture and the Intercreditor Agreement) provide instructions to the Security Agent with respect to the Collateral or the Guarantees.

In addition, the ability of the Security Agent to enforce the security interests in the Collateral is subject to mandatory provisions of the laws of each jurisdiction in which security interests over the Collateral are taken. For example, the laws of certain jurisdictions may not allow for an appropriation of certain pledged assets, but require a sale through a public auction and certain waiting periods may apply. There is some uncertainty under the laws of certain jurisdictions as to whether obligations to beneficial owners of the Additional Notes that are not identified as registered holders in a Security Document will be validly secured. In certain jurisdictions, including, among others, Germany, due to the laws and other jurisprudence governing the creation and perfection of security interests and enforceability of such security interests, the respective Collateral will secure a so-called "parallel debt" obligation (the "**Parallel Debt Obligation**") created under the Intercreditor Agreement in favor of the Security Agent as well as, or in lieu of, securing the obligations under the Additional Notes directly. This parallel debt structure is used where certain jurisdictions have legal requirements relating to the creation and ongoing valid existence of security interests which are linked with the original secured claims and where certain actions under the finance documents, such as novation, may cause invalidity of the security interests under local law. The parallel debt is in the same amount and payable at the same time as the obligations of the Issuer and the Guarantors under the Additional Notes and the related Guarantees (the "**Principal Obligations**"), and any payment with respect to the Principal Obligations will discharge the corresponding parallel debt and any payment with respect to the parallel debt will discharge the corresponding Principal Obligations. Although the Security Agent will have, pursuant to the parallel debt, a claim against the Issuer and the Guarantors for the full principal amount of the Additional Notes, the parallel debt structure has not been tested in court in these jurisdictions, including Germany, and there is no judicial guidance as to its efficacy or validity. Therefore, the ability of the Security Agent to enforce the Collateral may be restricted, or the parallel debt structure might not be capable of creating a valid security interest on the part of the Security Agent.

In addition, holders of the Additional Notes bear some risk associated with a possible insolvency or bankruptcy of the Security Agent which could in particular, under certain circumstances, result in a delay in enforcement, diminishing value or even loss of the Collateral or Guarantees.

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

Due to the laws and case law applicable to the creation and perfection of security interests and enforceability of such security interests in Germany, certain Collateral will secure only the Parallel Debt Obligation created under the Intercreditor Agreement in favor of the Security Agent rather than secure the obligations under the Additional Notes directly. Accordingly, the parity of the Additional Notes, the Original Notes, the obligations under the Super Senior Facilities Agreement, including the Cash RCF Facility and the L/G RCF Facility, and any other obligations secured by the Collateral will be implemented by way of the Intercreditor Agreement. As a result, the holders of the Additional Notes must rely on the effectiveness of the Intercreditor Agreement to implement parity among the holders of the Additional Notes and the other *pari passu* secured creditors, including the holders of the Original Notes and the lenders under the Super Senior Facilities Agreement. In the event that the Intercreditor Original Notes does not ensure parity on a contractual basis, the proceeds from the enforcement of the Collateral may not be sufficient to repay the obligations under the Additional Notes.

In addition, FinCo, the Issuer and certain of its subsidiaries will enter into new Security Documents over the Collateral to secure the indebtedness represented by the Additional Notes. For example, under German law, certain security interests (such as pledges over shares or bank accounts) granted under those new Security Documents will, because they are granted at a later point of time, rank behind the security interests securing the Original Notes and the Super Senior Facilities Agreement. However, pursuant to the terms of the Intercreditor Agreement, the Additional Notes will be treated and deemed to be secured by the Collateral on a *pari passu* basis with the Original Notes and the Super Senior Facilities Agreement. Therefore, the first-priority right in the Collateral to be granted in favor of the holders of the Additional Notes will depend on the enforceability of the Intercreditor Agreement. If the Intercreditor Agreement or the relevant provisions thereof were found to be invalid or held to be unenforceable for any reason, or if an administrator refuses to give effect to it, the holders of the Additional Notes would not benefit from such first-priority treatment and the security interests granted in favor of the holders of the Additional Notes would rank behind, and be subordinated to, any prior-ranking security interests, including the security interests granted in favor of the holders of the Original Notes and the lenders under the Super Senior Facilities Agreement. See "*Description of Certain Financing Arrangements—Intercreditor Agreement.*"

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

Under various circumstances, the Collateral securing the Additional Notes and the Original Notes and the Guarantees may be released automatically without consent of the holders of the Additional Notes or the Original Notes, including, upon a sale, transfer or other disposal of such Collateral in a transaction that does not violate the asset sale covenant of the Indenture, and in connection with an enforcement sale permitted under the Intercreditor Agreement. The Indenture also permits the Issuer to designate one or more restricted subsidiaries that are Guarantors as an unrestricted subsidiaries. If the Issuer designates a Guarantor as an unrestricted subsidiary for purposes of the Indenture, all of the liens on the Collateral owned by such subsidiary and any guarantees of the Additional Notes and the Original Notes by such subsidiary will be released under the Indenture, subject to certain conditions. Designation of an unrestricted subsidiary as such will reduce the aggregate value of the Collateral securing the Additional Notes and the Original Notes to the extent of liens securing the shares of such unrestricted subsidiary or of its subsidiaries. See "*Description of the Notes—Security—Release of Liens.*"

Furthermore, under German law a secured party is, upon request by the relevant security grantor, obligated to release security if the realizable value of the security is significantly higher than the value of the obligations secured by such security.

Finally, if the secured obligations are exchanged, novated or terminated, a pledge or other accessory security interest created pursuant to a security document governed by German law might be released as a matter of German law.

The Issuer may not be able to repay the Notes, when due or to repurchase the Notes when the Issuer is required to do so pursuant to certain events constituting a Change of Control or otherwise, and the Change of Control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events.

At final maturity of the Notes, or in the event of acceleration of the Notes, following an event of default including a cross acceleration event, the entire outstanding principal amount of the Notes will become due and payable. In addition, upon the occurrence of certain events constituting a Change of Control, holders of the Notes may in certain circumstances require the Issuer to make an offer to purchase the Notes at a purchase price equal to 101% of the principal amount, plus accrued but unpaid interest and Additional Amounts, if any, to the purchase date. See "*Description of the Notes—Change of Control.*" The Issuer may not have sufficient funds or may be unable to arrange for additional financing to pay these amounts when they become due.

The Issuer's failure to repay holders tendering Notes, as applicable, upon the occurrence of a Change of Control event would result in an event of default under the Notes. The Issuer cannot assure you that it would have sufficient funds to repay its outstanding indebtedness that it would be required to prepay or offer to purchase or that became immediately due and payable as a result. The Issuer may require additional financing from third parties to fund any such purchases and the Issuer cannot assure you that it would be able to obtain financing on satisfactory terms or at all. Restrictions in the Issuer's other then-existing contractual obligations may also restrict it from making such required repurchases.

A Change of Control may result in an event of default under, or acceleration of the Issuer's then-existing indebtedness, and the repurchase of the Notes, pursuant to such an offer could cause a default under such indebtedness even if the Change of Control itself does not. The Change of Control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including reorganization, restructuring, merger or other similar transaction involving the Issuer that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "Change of Control" as defined in the Indenture.

The definition of "Change of Control" contained in the Indenture includes a disposition of all or substantially all the assets of the Issuer and its restricted subsidiaries taken as whole. Although there is a limited body of case law in some jurisdictions 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" the assets of the Issuer and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a Change of Control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

Under certain circumstances, following a tender offer or offer to purchase the Notes, the Issuer may, at its option, redeem the Notes of non-tendering holders.

If, pursuant to any tender offer or other offer to purchase all of the Notes, holders of not less than 90% of the aggregate principal amount of the then outstanding Notes validly tender and do not withdraw such Notes, the Indenture permits the Issuer, at its option, to redeem the remaining outstanding Notes at a price equal to that paid pursuant to such purchase or tender offer (excluding any early tender premium). As a consequence, you may be required to surrender the Notes against your will at a price equivalent to the lowest price paid to tendering holders, including if such price is below par, and may not receive the return you expected to receive on the Notes. See "*Description of the Notes—Post Tender Redemption*."

Interest paid on the Additional Notes may be treated as US source interest, in which case, 30% US withholding tax may apply unless a non-US holder qualifies for an exemption from such withholding tax.

A substantial portion of the net proceeds of this Offering is expected to be on-lent to a US subsidiary and used in the United States to fund the Acquisition. As a result, the U.S. Internal Revenue Service (the "**IRS**") may argue that the Offering is part of a potential tax avoidance plan and that interest on the Additional Notes paid to a non-US holder is treated as US source interest, which is subject to withholding tax at a rate of 30% (or a lower treaty rate) unless the non-US holder qualifies for an applicable exemption. While the Issuer believes and intends to take the position that interest on the Additional Notes is not US source, there can be no assurance that the IRS will not challenge this position. In addition, if interest on the Additional Notes is treated as US source, the Additional Notes will not be fungible with the Original Notes for US federal income tax purposes. See "*Certain US Federal Income Tax Considerations—Possible Application of US Conduit Financing Principle*" for a discussion of these potential US federal income tax consequences and of certain related acknowledgements, representations and agreements that each initial holder and beneficial owner that acquires Additional Notes in the Offering hereby will be deemed to have made by its purchase and acceptance of the Additional Notes.

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

The Indenture provides that, if at any time following the Original Notes Issue Date, the Notes receive a rating of "BBB−" or better from S&P and "Baa3" or better from Moody's and no default or event of default has occurred and is continuing, then beginning that day and continuing until such time that the Notes receive a rating of below "BBB−" from S&P and below "Baa3" from Moody's, certain covenants will cease to be applicable to the Notes. See "*Description of the Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status.*" In addition, the security interests over the Collateral may be released and may not be retaken if the new rating is not maintained. If these covenants were to cease to be applicable, the Issuer would be able to incur additional indebtedness or make payments, including dividends or investments, which may conflict with the interests of holders of the Notes. There can be no assurance that the Notes, will ever achieve an investment grade rating or that any such rating will be maintained.

You may be unable to recover in civil proceedings for US securities laws violations.

The Issuer is organized under the laws of Germany and the Guarantors are incorporated in the United Kingdom and the United States. None of the managing directors, directors and other officers of the Issuer and the Guarantors are residents or citizens of the United States. All of the Issuer's assets and the assets of the Guarantors (other than RENK Holdings, Inc. and RENK America LLC) (the "**Non-US Guarantors**") are located outside the United States. It may not be possible for investors to effect service of process within the United States upon the Issuer, a Non-US Guarantor or such persons or to enforce against any of them in US courts judgments predicated upon the civil liability provisions of the federal securities laws of the United States, and there is doubt as to the enforceability in the home jurisdictions of the Non-US Guarantors of civil liabilities predicated upon the federal securities laws of the United States, either in original actions or in actions for enforcement of judgments of US courts. It may also not be possible for investors to effect service of process within Germany upon the Issuer or those persons under the Convention on Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters and the German law implementing such convention if such service were deemed to infringe German sovereignty or security, particularly if such service violated the German Constitutional Law (*Grundgesetz*). If a judgment is obtained in a US court against the Issuer or any Non-US Guarantor or a security provider, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. As all the assets of the Issuer and the Non-US Guarantors and the assets of its and their directors are located outside of the United States, you may be unable to enforce judgments obtained in the US courts against them. See "*Service of Process and Enforcement of Civil Liabilities.*"

The transferability of the Additional Notes may be limited under applicable securities laws.

The Additional Notes and the related Guarantees have not been, and will not be, registered under the US Securities Act or the securities laws of any state or any other jurisdiction and, unless so registered, may not be offered or sold in the United States, or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and the applicable securities laws of any state or any other jurisdiction. See "*Transfer Restrictions*." It is the obligation of holders of Additional Notes to ensure that their purchase and any subsequent transfer of the Additional Notes, as applicable, within the United States and other countries comply with applicable securities laws. Any of these restrictions and requirements will limit the ability of investors to resell the Additional Notes and the Guarantees.

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

The Additional Notes will be a new series of securities for which there is no market. The Issuer cannot assure you as to the liquidity of any market that may develop for the Additional Notes, your ability to sell your Additional Notes or the prices at which you would be able to sell your Additional Notes.

Future trading prices of the Additional Notes will depend on many factors, including, among other things, prevailing interest rates, the Combined Group's operating results and 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 Additional Notes. The liquidity of a trading market for the Additional Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. It is possible that the market for the Additional Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the Additional Notes, regardless of the Combined Group's prospects and financial performance. The Initial Purchaser has advised the Issuer that it currently intends to make a market in the Additional Notes. The Initial Purchaser is not, however, obliged to do so, and it may discontinue any market-making activities at any time without notice. As a result, there is no assurance that an active trading market will develop for the Additional Notes. If no active trading market develops, you may not be able to resell your Additional Notes at a fair value, if at all.

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

Although the Issuer has agreed to use its commercially reasonable efforts to obtain and maintain the listing of the Additional Notes on the Official List of the Exchange for so long as any Additional Notes are outstanding, the Issuer cannot assure you that the Additional Notes will become or remain listed. If the Issuer cannot maintain the listing on the Official List of the Exchange or it becomes unduly burdensome to make or maintain such listing, the Issuer may cease to make or maintain such listing; provided that it will use commercially reasonable efforts to obtain and maintain the listing of the Additional Notes on another recognized stock exchange for high yield issuers (which may be another stock exchange that is not regulated by the European Union), although there can be no assurance that the Issuer will be able to do so.

Although no assurance is made as to the liquidity of the Additional Notes as a result of listing on the Official List of the Exchange or another recognized listing exchange for comparable issuers in accordance with the Indenture, failure to be approved for listing or the delisting (whether or not for an alternative admission to listing on another stock exchange) of the Additional Notes from the Official List of the Exchange or another listing exchange in accordance with the Indenture may have a material adverse effect on a holder's ability to resell the Additional Notes in the secondary market. Notwithstanding the foregoing, the Issuer may at its sole option at any time, without the consent of the holders of the Additional Notes or the Trustee, delist the Additional Notes from any stock exchange for the purposes of moving the listing of the Additional Notes to another recognized stock exchange for high yield issuers (which may be a stock exchange that is not regulated by the European Union).

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

The Additional Notes offered hereby are denominated and payable in euros. If you measure your investment returns by reference to a currency other than euros, an investment in the Additional Notes will entail foreign exchange risks related to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which you measure the return on your investments because of economic, political and other factors over which the Issuer has no control. Depreciation of the euro against the currency by reference to which you measure the return on your investments could cause a decrease in the effective yield of the Additional Notes below the stated coupon rate and could result in a loss to you when the return on the

Additional Notes is translated into the currency by reference to which you measure the return on your investments. In addition, there may be tax consequences to holders subject to US federal income tax as a result of any foreign exchange gains or losses resulting from an investment in the Additional Notes. See "*Certain US Federal Income Tax Considerations.*"

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.

The credit ratings assess the Issuer's ability to perform its obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under 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 a credit rating agency in the future if in its judgment circumstances so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more credit rating agencies may adversely affect the cost and terms of the Issuer's financings and could adversely affect the value and trading of the Notes.

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

Unless and until Additional Notes in definitive registered form, or definitive registered notes are issued in exchange for book-entry interests (which may occur only in very limited circumstances), owners of book-entry interests will not be considered owners or holders of the Additional Notes. The nominee of the common depository for Euroclear and Clearstream will be the sole registered holder of the global notes with respect to the Additional Notes. Payments of principal, interest and other amounts owing on or in respect of the relevant global notes representing the Additional Notes will be made to Deutsche Bank AG, London Branch, as principal paying agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the global notes representing or the Additional Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, the Issuer will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests.

Accordingly, if you own a book-entry interest in the Additional Notes, you must rely on the procedures of Euroclear and Clearstream, and, if you are not a participant in Euroclear and/or Clearstream on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Additional Notes under the Indenture.

Unlike the holders of the Additional Notes themselves, owners of book-entry interests will not have any direct rights to act upon any solicitations for consents, requests for waivers or other actions from holders of the Additional Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream or, if applicable, from a participant. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any matters or on a timely basis.

The Additional Notes will initially not be fungible with the Original Notes.

On the Additional Notes Issue Date, the Additional Notes sold pursuant to Rule 144A will have a different temporary ISIN number and common code from, and will not trade fungibly with, the Original Notes sold pursuant to Rule 144A during the period prior to and including the first interest payment date following the Additional Notes Issue Date and the Additional Notes sold pursuant to Regulation S will have a different temporary ISIN number and common code from, and will not trade fungibly with, the Original Notes sold pursuant to Regulation S during the period prior to and including the 40th day following the Additional Notes Issue Date (as defined herein). Because the Additional Notes will initially not be fungible with the Original Notes, a market for trading in the Additional Notes may not develop, or may not be liquid, which may impact the tradability and price of the Additional Notes. After such dates, the relevant Additional Notes are expected to become fully fungible with, and have the same ISIN number and common code as, the relevant Original Notes, as applicable. However, in the event that the Issuer is unable to transfer such Additional Notes to the permanent ISINs and common codes, such Additional Notes will continue to trade under separate ISINs and common codes to the relevant series of Original Notes, which may adversely affect the liquidity of the Additional Notes and cause the Additional Notes to trade at different prices than the Original Notes.. See "*Bookentry, Delivery and Form*" and "*Transfer Restrictions*."

USE OF PROCEEDS

The Issuer estimates that the gross proceeds from the Offering will be €200.0 million assuming an issue price of 100.0%.

The Issuer intends to use the proceeds from the Offering, together with cash on hand and the Equity Contribution, to (i) pay the purchase consideration for the Acquisition under the Acquisition Agreement and (ii) to pay the fees and expenses related to the Transactions.

The following table illustrates the estimated sources and uses of funds of the Issuer. The actual amounts set forth in the table and in the accompanying footnotes are subject to adjustment and may differ at the time of the consummation of the Acquisition depending on several factors, including differences from our estimate of costs, fees and expenses. You should read the table below in conjunction with the information contained elsewhere in this offering memorandum, particularly under the headings "*Summary—The Acquisition*," "*Capitalization*" and "*Description of Certain Financing Arrangements*."

Sources	in € million	Uses	in € million
Additional Notes offered hereby(1)	200.0	Acquisition consideration(3)	303.3
Cash on hand	72.0		
Equity Contribution(2)	41.6	Transaction costs(4)	10.3
Total Sources	**313.6**	**Total Uses**	**313.6**

(1) Reflects the expected gross proceeds from the issuance of the Additional Notes at an issue price of 100.0%.

(2) Represents the estimated investment from the Sponsor in the form of equity capital or similar instruments, which will be contributed through intermediate holding companies to the Issuer.

(3) Represents the estimated consideration payable under the Acquisition Agreement on July 2, 2021 and at a foreign exchange rate of \$1.2025 per €1.00. Pursuant to the locked-box purchase price mechanism agreed under the Acquisition Agreement, the purchase price is calculated as the agreed base consideration plus the agreed ticking fee and is reduced by the net cash flow generated by the Target Business from January 1, 2021 until the Acquisition Closing Date, adjusted for certain notified cash leakage items. The Issuer estimates that, as of May 31, 2021, the locked-box mechanism would have resulted in a reduction of the consideration payable under the Acquisition Agreement by approximately \$33 million. The actual consideration payable under the Acquisition Agreement may be different due to, among other things, changes in the foreign exchange rate or the net cash flow generated by the Target Business until the Acquisition Closing Date. Any change in the acquisition consideration compared to the estimate set forth above will be funded from cash on hand or reduce the amount of cash on hand used, as applicable.

(4) Estimated fees and expenses associated with the Transactions, which includes estimated underwriting fees, commitment and financial advisory fees, commissions, legal and other professional fees and other costs and expenses related to the Transactions. Actual transaction costs may differ.

CAPITALIZATION

The following table sets forth, in each case, the cash and cash equivalents and capitalization as of March 31, 2021 of RENK Holding GmbH, (i) on an actual, historical consolidated basis, and (ii) on an as adjusted basis to give effect to the Transactions as described under "*Use of Proceeds*" as if they had occurred on March 31, 2021. The adjusted amounts do not reflect the accounting treatment of the Transactions, especially the Acquisition under IFRS.

You should read this table in conjunction with "*Unaudited Pro Forma Consolidated Financial Information*," "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Former RENK AG Group and RENK Holding GmbH Group*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Target Business*," "*Description of Certain Financing Arrangements*," "*Description of the Notes*" and the unaudited condensed consolidated interim financial statements of RENK Holding GmbH as of and for the three month period ended March 31, 2021, including the notes thereto, included elsewhere in this offering memorandum. Except as set forth below, there have been no material changes to the capitalization of RENK Holding GmbH since March 31, 2021.

	As of March 31, 2021	
	Actual	**As adjusted**
	€ million	
	(unaudited)	**(unaudited)**
Cash and cash equivalents[1]	**153.5**	**39.9**
Original Notes[2]	320.0	320.0
Additional Notes offered hereby[3]	—	200.0
Super Senior Facilities[4]	—	—
Other financial debt[5]	5.7	5.7
Total financial debt	**325.7**	**525.7**
Shareholder Loans[6]	123.7	82.5
Total equity	**261.4**	**303.0**[7]
Total capitalization	**710.8**	**911.2**

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(1) The historical amount represents cash and cash equivalents shown in the unaudited condensed consolidated interim financial statements of RENK Holding GmbH as of and for the three month period ended March 31, 2021. The as adjusted amount reflects the repayment of the Shareholder Loan II in the amount of €41.6 million on May 20, 2021 as well as the use of cash on hand to fund the Transactions as set out under "*Use of Proceeds*". As adjusted cash and cash equivalents is different from *pro forma* cash and cash equivalents shown in the Unaudited Pro Forma Consolidated Financial Information because, among other things, the repayment of the Shareholder Loan II has not been taken into account for purposes of the Unaudited *Pro Forma* Consolidated Financial Information.

(2) Represents the aggregate principal amount of the Original Notes. The carrying amount of the Original Notes as shown in the notes to the unaudited consolidated statement of financial position of RENK Holding GmbH as of and for the three month period ended March 31, 2021 under "Bonds" was €317.1 million.

(3) The adjusted amount reflects the aggregate principal amount of the Additional Notes of €200.0 million.

(4) As of the Additional Notes Issue Date and the Acquisition Closing Date, respectively, no amounts are expected to be drawn in cash under the Cash RCF Facility. However, as of March 31, 2021, the Group had outstanding letters of credit and performance bonds in an aggregate amount of approximately €126.1 million under the L/G RCF Facility and of approximately €7.6 million under a bilateral letter of credit facility. See "*Description of Certain Financing Arrangements—Super Senior Facilities Agreement.*"

(5) Represents the carrying amount of non-current lease liabilities and current lease liabilities as shown in the unaudited condensed consolidated interim financial statements of RENK Holding GmbH as of and for the three month period ended March 31, 2021.

(6) The adjusted amount reflects the repayment of the Shareholder Loan II on May 20, 2021, which had a carrying amount of €41.2 million as of March 31, 2021. See "*Certain Relationships and Related Party Transactions—Shareholder Loan I*" and "*Certain Relationships and Related Party Transactions—Shareholder Loan II.*"

(7) The as adjusted amount represents the carrying amount of equity shown in the unaudited condensed consolidated interim financial statements of RENK Holding GmbH as of and for the three month period ended March 31, 2021 as adjusted to reflect the Equity Contribution from the Sponsor. The as adjusted amount does not reflect the impact of fees and expenses in connection with the Transaction expected to be expensed.

SELECTED FINANCIAL INFORMATION

The following tables set forth selected financial information of the former RENK AG Group as of and for the fiscal years ended December 31, 2018 and 2019 and the three month period ended March 31, 2020, of the former RENK AG Group for the twelve month period ended December 31, 2020, as if the former RENK AG had not been merged into RENK GmbH with retrospective effect as of January 1, 2020 and had existed during the twelve month period ended December 31, 2020, of RENK Holding GmbH Group as of December 31, 2020 and as of and for the three month period ended March 31, 2021 as well as of the Target Business as of and for the fiscal years ended January 3, 2020 and January 1, 2021 and the fiscal quarters ended April 3, 2020 and April 2, 2021.

Former RENK AG and RENK Holding GmbH

*The Issuer was incorporated as Rebecca BidCo GmbH on January 2, 2020 in connection with the Renk Acquisition, the offer and issue of the Original Notes, the entry into the Super Senior Facilities Agreement and certain other transactions. On October 5, 2020, the Issuer changed its legal form to a German stock corporation (Aktiengesellschaft) under the name Rebecca BidCo AG. On February 15, 2021, the Issuer as surviving entity merged with the former Renk Aktiengesellschaft ("**former RENK AG**") with retrospective effect as of January 1, 2020 and, as a result of such merger, acquired all assets and assumed all liabilities of the former RENK AG. On April 14, 2021, the Issuer changed its legal form to a German limited liability company (Gesellschaft mit beschränkter Haftung) under the name RENK GmbH.*

Prior to its merger with the former RENK AG, the Issuer was a holding company with no sales revenue-generating activities of its own, and did not have any business operations or material assets (other than its shareholding in the former RENK AG).

*The audited consolidated financial statements, including the related notes thereto, of the former RENK AG as of and for the fiscal year ended December 31, 2019 (with comparative financial information as of and for the fiscal year ended December 31, 2018), included in this offering memorandum have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("**IFRS**") and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (Handelsgesetzbuch, HGB). The audited consolidated financial statements of the former RENK AG as of and for the fiscal year ended December 31, 2019, along with the independent auditor's report (Bestätigungsvermerk des unabhängigen Abschlussprüfers) of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft ("**PwC**") with respect thereto, and the unaudited condensed consolidated interim financial statements of the former RENK AG as of and for the three month period ended March 31, 2020, which have been prepared in accordance with IFRS as applicable for interim financial reporting (IAS 34), are included in this offering memorandum.*

On February 15, 2021, the former RENK AG was merged into the Issuer (as the surviving entity) with retrospective effect as of January 1, 2020. Therefore, no historical consolidated financial information for the former RENK AG as of and for the fiscal year ended December 31, 2020 is available. The Issuer did not prepare audited consolidated financial statements. In this offering memorandum, we therefore include audited consolidated financial statements as of and for the short fiscal year ended December 31, 2020 and unaudited condensed consolidated interim financial statements as of and for the three month period ended March 31, 2021 of RENK Holding GmbH. The short fiscal year ended December 31, 2020 of RENK Holding GmbH comprises the period from January 2, 2020 to December 31, 2020, and includes the operations of the former RENK AG Group only from the date of the consummation of the Renk Acquisition in October 2020. RENK Holding GmbH is a holding company with no sales revenue-generating activities of its own, and has not and does not expect to have any business operations, material assets or liabilities other than its shares in FinCo, the direct holding company of the Issuer. FinCo is a holding company with no sales revenue-generating activities of its own, and has not and does not expect to have any business operations, material assets or liabilities other than its shares in the Issuer

*The audited consolidated financial statements, including the related notes thereto, of RENK Holding GmbH as of and for the short fiscal year ended December 31, 2020, included in this offering memorandum have been prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (Handelsgesetzbuch, HGB). The audited consolidated financial statements of RENK Holding GmbH as of and for the short fiscal year ended December 31, 2020, along with the independent auditor's report of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft ("**EY**") with respect thereto, and the unaudited condensed consolidated interim financial statements of RENK Holding GmbH as of and for the three month period ended March 31, 2021, which have been prepared in accordance with IFRS as applicable for interim financial reporting (IAS 34), are included in this offering memorandum.*

The consolidated financial statements of RENK Holding GmbH as of and for the short fiscal year ended December 31, 2020 include the operations of the former RENK AG Group only from the date of the consummation of the Renk Acquisition in October 2020 and on the basis of preliminary purchase accounting according to IFRS 3. Prior to that date, RENK Holding GmbH was a holding company without sales revenue-generating activities. The consolidated financial information of RENK Holding GmbH as of and for the short fiscal year ended December 31, 2020 included elsewhere in this offering memorandum is therefore not comparable to the consolidated financial information of the former RENK AG as of and for the fiscal years ended December 31, 2019 and 2018. For better comparability, the unaudited as if consolidated income statement and consolidated statement cash flows financial information for the former RENK AG for the twelve month period ended December 31, 2020 included in this offering memorandum therefore is presented as if the former RENK AG had not been merged into the Issuer with retrospective effect as of January 1, 2020 and had existed during the twelve month period ended December 31, 2020, and is derived from RENK Holding GmbH's internal accounting and reporting systems. The unaudited as if financial information for the former RENK AG Group does not take into account the effects of the Original Transactions (including the related financing) on the Group. The financial information with respect to the consolidated statement of financial position as of December 31, 2020 presented in this offering memorandum is taken or derived from RENK Holding GmbH's audited consolidated financial statements as of and for the short fiscal year ended December 31, 2020.

Combined Financial Statements of the Target Business

*The combined financial statements, including the notes thereto, of the Target Business as of and for the fiscal years ended January 1, 2021 and January 3, 2020 as well as the combined financial statements as of and for the fiscal quarter ended April 2, 2021 and the fiscal quarter ended April 3, 2020 included in this offering memorandum have been prepared in accordance with generally accepted accounting principles in the United States ("**US GAAP**"). The combined financial statements of the Target Business as of and for the fiscal years ended January 1, 2021 and January 3, 2020 have been audited by Ernst & Young LLP. The combined financial statements of the Target Business reflect the combat propulsion systems business of L3Harris Technologies, Inc, including L3 Magnet Motor GmbH, and have been prepared by aggregating the financial information for the combat propulsion systems business, comprising the assets, revenues and expenses that management has determined are specifically attributable to the Target Business. These businesses do not constitute a separate legal entity or group.*

The combined financial statements do not necessarily reflect the financial position, results of operations or cash flows of the Target Business if it had been a separate entity, or the future results of the Target Business as it will exist upon its acquisition by the Group. See "Risk Factors—Risks Related to the Acquisition— The combined financial statements of the Target Business may not be representative of its future results."

For a complete description of the accounting principles followed in preparing the combined financial statements of the Target Business, please see note 1 "Basis of presentation and significant accounting policies" to the combined financial statements of the Target Business as of and for the fiscal years ended January 1, 2021 and January 3, 2020 included elsewhere in this offering memorandum.

The financial information marked as "audited" in tables in this offering memorandum is taken from the audited consolidated financial statements of the former RENK AG, RENK Holding GmbH and the audited combined financial statements of the Target Business mentioned above. Financial information marked as "unaudited" in tables in this offering memorandum is not taken from the respective audited consolidated financial statements or audited combined financial statements mentioned above and was either taken from the unaudited condensed consolidated interim financial statements of the former RENK AG, RENK Holding GmbH and the unaudited condensed combined interim financial statements of the Target Business mentioned above or the former RENK AG's, RENK Holding GmbH's or the Target Business' internal accounting or reporting systems or is based on calculations of figures of the above mentioned sources.

Former RENK AG Group and RENK Holding GmbH Group

Consolidated Income Statement Information

	Fiscal year ended December 31,		Twelve months ended December 31,	Three months ended March 31,	
	2018	2019	2020	2020	2021
	former RENK AG Group		as if former RENK AG Group	former RENK AG Group	RENK Holding GmbH Group
			(€ thousand)		
	(audited)			(unaudited)	
Sales revenue	502,218	558,609	550,207	113,367	127,045
Cost of sales	(383,442)	(428,790)	(421,328)	(91,419)	(98,529)
Gross profit	**118,776**	**129,819**	**128,879**	**21,948**	**28,516**
Other operating income	7,418	8,350	7,158	2,598	2,741
Net allowances on financial assets	(508)	(683)	1,349	605	(140)
Distribution expenses	(37,412)	(39,732)	(38,338)	(10,461)	(9,471)
General administrative expenses	(22,342)	(27,520)	(28,795)	(6,916)	(7,186)
Other operating expenses	(5,721)	(9,811)	(8,766)	(3,988)	(4,663)
Operating profit	**60,213**	**60,423**	**61,488**	**3,785**	**9,798**
Interest expense	(400)	(828)	(1,422)	(338)	(12,384)
Other financial result	1,802	2,728	457	(38)	6,363
Financial result	**1,402**	**1,900**	**(965)**	**(376)**	**(6,021)**
Profit before taxes	**61,615**	**62,323**	**60,523**	**3,410**	**3,778**
Income tax expense	(19,105)	(18,152)	(23,985)	(1,016)	(1,154)
Profit after tax*	**42,510**	**44,171**	**36,538**	**2,394**	**2,624**

* Presented as profit after tax (share of RENK shareholders) in the audited consolidated financial statements of the former RENK AG as of and for the fiscal year ended December 31, 2019 (including comparative financial information as of and for the fiscal year ended December 31, 2018) and in the unaudited condensed consolidated interim financial statements of the former RENK AG as of and for the three month period ended March 31, 2020.

Selected Consolidated Statement of Financial Position Information

	As of December 31,			As of March 31,
	2018	2019	2020	2021
	former RENK AG Group		RENK Holding GmbH Group	
		(€ thousand)		
		(audited)		(unaudited)
ASSETS				
Non-current assets	**230,008**	**309,855**	**580,565**	**572,250**
Current assets	**523,353**	**504,956**	**606,806**	**568,120**
Total assets	**753,361**	**814,811**	**1,187,371**	**1,140,369**
EQUITY AND LIABILITIES				
Equity	**449,935**	**483,699**	**200,383**	**261,421**
Non-current liabilities and provisions	**106,742**	**114,418**	**596,900**	**583,700**
Current liabilities and provisions	**196,683**	**216,694**	**390,087**	**295,248**
Total equity and liabilities	**753,361**	**814,811**	**1,187,371**	**1,140,369**

Selected Consolidated Cash Flow Statement Information

	Fiscal year ended December 31,		Twelve months ended December 31,	Three months ended March 31,	
	2018	2019	2020	2020	2021
	former RENK AG Group		as if former RENK AG Group	former RENK AG Group	RENK Holding GmbH Group
	(€ thousand)				
	(audited)		(unaudited)		
Cash flows from operating activities	**34,706**	**7,462**	**91,072**	**22,009**	**37,337**
Cash flows from investing activities	**(33,136)**	**(73,222)**	**(52,300)**	**(7,742)**	**(4,865)**
Cash flows from financing activities	**(14,960)**	**(17,968)**	**(15,513)**	**(285)**	**(66,666)**
Change in cash and cash equivalents	**(12,853)**	**(83,224)**	**22,216**	**14,305**	**(33,411)**
Cash and cash equivalents at the end of the period	**185,700**	**102,476**	**124,692**	**116,781**	**153,470**

Target Business

Combined Statement of Income Information

	Fiscal year ended		Fiscal quarter ended	
	January 3, 2020	January 1, 2021	April 3, 2020	April 2, 2021
	($ thousand)			
	(audited)		(unaudited)	
Revenue from product sales and services	182,716	236,433	53,359	71,369
Cost of product sales and services	111,454	146,433	31,753	42,972
Engineering, selling and administrative expenses	26,059	31,375	7,124	7,203
Non-operating income	1,794	4,252	1,070	1,235
Income before income taxes	**46,997**	**62,877**	**15,552**	**22,429**
Income taxes	10,248	16,218	3,624	5,422
Net income	**36,749**	**46,659**	**11,928**	**17,007**

Selected Combined Balance Sheet Information

	Fiscal years ended		As of April 2,
	January 3, 2020	January 1, 2021	2021
	($ thousand)		
	(audited)		(unaudited)
ASSETS			
Total current assets	**79,452**	**87,109**	**72,390**
Total non-current assets	**160,865**	**157,639**	**156,570**
Total assets	**240,317**	**244,748**	**228,960**
EQUITY AND LIABILITIES			
Total current liabilities	**23,131**	**26,414**	**23,868**
Total non-current liabilities	**30,006**	**30,721**	**30,463**
Total parent's equity	**187,180**	**187,613**	**174,629**
Total equity and liabilities	**240,317**	**244,748**	**228,960**

Selected Combined Statement of Cash Flows Information

	Fiscal years ended		Fiscal quarters ended	
	January 3, 2020	January 1, 2021	April 3, 2020	April 2, 2021
	($ thousand)			
	(audited)		(unaudited)	
Net cash provided by operating activities	**44,886**	**49,128**	**6,329**	**28,391**
Net cash used in investing activities	**(1,185)**	**(3,497)**	**(23)**	**(126)**
Net cash used in financing activities	**(42,365)**	**(44,568)**	**(4,978)**	**(28,599)**
Net increase in cash	**1,240**	**1,647**	**1,253**	**(619)**
Cash, end of period	**6,292**	**7,939**	**7,545**	**7,320**

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF RENK HOLDING GMBH, AUGSBURG, FOR THE PERIODS FROM JANUARY 1, 2020 TO DECEMBER 31, 2020 AND JANUARY 1, 2021 TO MARCH 31, 2021

1. Introduction

With effect from October 6, 2020, the share purchase agreement concluded on January 30, 2020 between Rebecca BidCo AG (formerly Rebecca BidCo GmbH, now RENK GmbH) (the "**Issuer**"), a wholly-owned indirect subsidiary of RENK Holding GmbH, and Volkswagen Vermögensverwaltungs-GmbH, for the acquisition of shares in Renk Aktiengesellschaft ("**former RENK AG**", and together with its subsidiaries, the "**former RENK AG Group**"), and the acquisition of the shares in the former RENK AG tendered in the context of the voluntary public takeover bid March 10, 2020 (the "**Voluntary Public Takeover**"), was completed. In a subsequent squeeze-out procedure in terms of merger law the Issuer acquired the shares in the former RENK AG from the non-controlling shareholders (the "**Squeeze Out**", and the acquisition of Rebecca BidCo AG of the shares of the former RENK AG, the Voluntary Public Takeover and the subsequent Squeeze Out collectively, the "**Renk Acquisition**").

Furthermore, RENK Holding GmbH via the Issuer and L3Harris Technologies, Inc. and L-3 Communications Holding GmbH entered into an asset and stock purchase agreement for the acquisition of the combat propulsion systems business of L3Harris Technologies, Inc. and all of the issued and outstanding ownership interests in L3 Magnet-Motor GmbH (collectively, the "**Target Business**") (the "**Target Business Acquisition**").

Since the Renk Acquisition had and the Target Business Acquisition will have a material impact on the financial position and results of operations of RENK Holding GmbH (together with its consolidated subsidiaries, the "**RENK Holding GmbH Group**"), RENK Holding GmbH prepared pro forma consolidated financial information comprising a pro forma consolidated income statement for the period from January 1, 2020 to December 31, 2020, a pro forma consolidated income statement for the period from January 1, 2021 to March 31, 2021, a pro forma consolidated statement of financial position as of March 31, 2021 and pro forma notes (together, the "**Unaudited Pro Forma Consolidated Financial Information**").

The purpose of the Unaudited Pro Forma Consolidated Financial Information is to illustrate the material effects (i) the consummated Renk Acquisition and (ii) the contemplated Target Business Acquisition would have had on the historical consolidated financial statements of RENK Holding GmbH if the RENK Holding GmbH Group had already existed in the structure created by the Renk Acquisition and the Target Business Acquisition as of January 1, 2020 with respect to the unaudited pro forma consolidated income statements and as of March 31, 2021 with respect to the unaudited pro forma consolidated statement of financial position.

The Unaudited Pro Forma Consolidated Financial Information is based on certain assumptions and is presented for illustrative purposes only. Due to its nature, the Unaudited Pro Forma Consolidated Financial Information describes only a hypothetical situation and, therefore, does not purport to represent what the actual results of operations or financial position of the RENK Holding GmbH Group would have been if the Renk Acquisition and the Target Business Acquisition had occurred on January 1, 2020 with respect to the unaudited pro forma consolidated income statements or the Target Business Acquisition as of March 31, 2021 with respect to the unaudited pro forma consolidated statement of financial position, nor is it necessarily indicative of RENK Holding Group's results of operations or financial position after the completion of the Target Business Acquisition. In addition, the Unaudited Pro Forma Consolidated Financial Information is necessarily not indicative of RENK Holding GmbH's future operating results or financial position. Therefore, RENK Holding GmbH Group's actual results of operations and financial position after the completion of the Target Business Acquisition may differ significantly from those reflected in the Unaudited Pro Forma Consolidated Financial Information. Furthermore, the Unaudited Pro Forma Consolidated Financial Information is only meaningful in conjunction with RENK Holding GmbH's historical consolidated financial statements as of and for the short fiscal year ended December 31, 2020 and unaudited condensed consolidated interim financial statements as of and for the three month period ended March 31, 2021.

The Unaudited Pro Forma Consolidated Financial Information has been prepared by RENK Holding GmbH as of June 21, 2021.

The Unaudited Pro Forma Consolidated Financial Information is presented in thousands of euro ("**€ thousand**").

2. Historical Financial Information

2.1 Historical Financial Information Used

The Unaudited Pro Forma Consolidated Financial Information is based on the following historical financial information:

- The audited consolidated financial statements of RENK Holding GmbH as of and for the short fiscal year ended December 31, 2020, which have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("**IFRS**") and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (*Handelsgesetzbuch, HGB*), publicly available and included in this offering memorandum.
- The unaudited condensed consolidated interim financial statements of RENK Holding GmbH as of and for the three month period ended March 31, 2021, which have been prepared in accordance with IFRS as applicable for interim financial reporting (IAS 34), included in this offering memorandum.
- The unaudited and unpublished consolidated income statement of the former RENK AG for the nine month period ended September 30, 2020, which have been prepared in accordance with the applicable recognition, measurement and consolidation principles of IFRS.
- The unaudited and unpublished combined income statement of the Target Business for the fiscal year ended January 1, 2021, prepared in accordance with the applicable recognition, measurement and consolidation principles of IFRS, which was derived from audited combined financial statements of the Target Business as of and for the fiscal years ended January 1, 2021 and January 3, 2020, which have been prepared as if the Target Business were operated on a standalone basis during the periods presented in accordance with generally accepted accounting principles in the United States ("**US GAAP**"), included in this offering memorandum.
- The unaudited and unpublished combined income statement for the three month period ended April 2, 2021 and the unaudited and unpublished combined statement of financial position as of April 2, 2021 of the Target Business, prepared in accordance with the applicable recognition, measurement and consolidation principles of IFRS, which were derived from the unaudited combined financial statements of the Target Business as of April 2, 2021 and January 1, 2021 and for each of the fiscal quarters ended April 2, 2021 and April 3, 2020, which have been prepared as if the Target Business were operated on a standalone basis during the periods presented in accordance with US GAAP, included in this offering memorandum.

The historical financial information underlying the Unaudited Pro Forma Consolidated Financial Information is prepared on the basis of IFRS and the accounting policies consistently applied by RENK Holding GmbH as described in the notes to the IFRS consolidated financial statements of RENK Holding GmbH as of and for the short fiscal year ended December 31, 2020 as well as the unaudited condensed consolidated interim financial statements of RENK Holding GmbH as of and for the three month period ended March 31, 2021.

2.2 Adoption of IFRS and RENK Holding GmbH's Accounting Policies in the Target Business Historical Financial Information

The combined financial statements of the Target Business have been prepared in accordance with US GAAP, which differs in certain respects from IFRS. For the preparation of the Unaudited Pro Forma Consolidated Financial Information RENK Holding GmbH performed procedures for the purpose of identifying material differences in significant accounting policies between the RENK Holding GmbH Group and the Target Business to identify the accounting adjustments required in connection with adopting IFRS and RENK Holding GmbH's uniform accounting policies in the Target Business' historical combined financial information comprising presentation and recognition and measurement adjustments.

The historical Target Business' IFRS combined income statements and combined statement of financial position have been converted from US dollars ("**$**") to Euro ("**€**") at the applicable rates as presented below to conform to RENK Holding GmbH's reporting currency.

2.2.1 Presentation Adjustments

The US GAAP statement of income scheme applied by the Target Business was reclassified into each specific functional area and mapped to the IFRS cost of goods sold scheme as applied by RENK Holding GmbH. The mapping results in the adjustments are presented below.

2.2.1.1 Presentation Adjustments to the Target Business Combined Income Statement for the Fiscal Year ended January 1, 2021

Engineering, selling and administrative expenses of the Target Business for the fiscal year ended January 1, 2021 in the amount of $31,375 thousand were allocated to general administrative expenses based on the income statement structure of RENK Holding GmbH Group. Non-Operating income for the fiscal year ended January 1, 2021 in the amount of $4,252 thousand were allocated to other operating income based on the income statement structure of RENK Holding GmbH Group.

For the fiscal year ended January 1, 2021, an amount of $100 thousand of the Target Business, related to warranty costs has been reclassified from general administrative expenses to sales revenue in accordance with IFRS 15 "Revenue Recognition".

Within the Target Business' combined financial statements, cost of sales contained foreign currency translation income in an amount of $398 thousand for the fiscal year ended January 1, 2021, which is presented as other operating income based on the income statement structure of RENK Holding GmbH Group. This effect was partially offset by foreign currency translation expenses in an amount of $431 thousand, that are presented as other operating expenses based on the income statement structure of RENK Holding GmbH Group.

Other operating income in an amount of $4,252 thousand of the Target Business for the fiscal year ended January 1, 2021 contains interest income in an amount of $14 thousand, which is reclassified to other financial result based on the income statement structure of RENK Holding GmbH Group.

An amount of $109 thousand of the Target Business for the fiscal year ended January 1, 2021 related to bid and proposal and third party marketing activities is reclassified from general administrative expenses to distribution expenses. Miscellaneous expenses, like general insurance expenses, in an amount of $5,665 thousand of the Target Business are presented as general administrative expenses instead of other operating expenses based on the income statement structure of RENK Holding GmbH Group.

The described reclassifications required by RENK Holding GmbH's IFRS accounting policies, which refer to a part of a line item, are disclosed in the column "Presentation Adjustments" in the reconciliation table in section 2.2.2.1.

2.2.1.2 Presentation Adjustments to the Target Business Combined Income Statement for the three month Period ended April 2, 2021

Engineering, selling and administrative expenses of the Target Business for the three month period ended April 2, 2021 in the amount of $7,203 thousand were allocated to general Administrative Expenses based on the income statement structure of RENK Holding GmbH Group. Non-Operating income for the three month period ended April 2, 2021 in the amount of $1,235 thousand were allocated to other operating income based on the income statement structure of RENK Holding GmbH Group.

Within the Target Business' combined financial statements, cost of sales contained foreign currency translation income in an amount of $71 thousand for the three month period ended April 2, 2021, which is presented as other operating income based on the income statement structure of RENK Holding GmbH Group. This effect was partially offset by foreign currency translation expenses in an amount of $3 thousand, that are presented as other operating expenses based on the income statement structure of RENK Holding GmbH Group.

Other operating income of the Target Business for the three month period ended April 2, 2021 included pension income in an amount of $1,233 thousand that has been reclassified as interest income based on RENK Holding GmbH Group's income statement structure.

An amount of $8 thousand of the Target Business for the three month period ended April 2, 2021 related to bid and proposal and third party marketing activities is reclassified from general administrative expenses to distribution expenses. Miscellaneous expenses, like general insurance expenses, in an amount of $1,873 thousand of the Target Business are presented as general administrative expenses instead of other operating expenses based on the income statement structure of RENK Holding GmbH Group.

The described reclassifications required by RENK Holding GmbH's IFRS accounting policies, which refer to a part of a line item, are disclosed in the column "Presentation Adjustments" in the reconciliation table in section 2.2.2.2.

2.2.2 *Recognition and Measurement Adjustments*

2.2.2.1 Explanations of the Recognition and Measurement Adjustments to the Target Business Combined Income Statement for the Fiscal Year ended January 1, 2021

	Target Business For the year ended January 1, 2021						
	($ thousand)						(€ thousand)
	US GAAP	Presentation Adjustments	Note	IFRS Recognition and Measurement Adjustments	Note	Total after Adjustments	Total after Conversion*
Sales revenue	236,433	100	2.2.1.1	—		236,533	207,237
Cost of sales	(146,433)	33	2.2.1.1	1,523	2.2.2.1.1 2.2.2.1.2 2.2.2.1.4	(144,877)	(126,934)
Gross profit	**90,000**	**133**		**1,523**		**91,656**	**80,304**
Other operating income	**4,252**	**384**	2.2.1.1	—		4,636	4,062
Net allowance on financial assets	—			**(23)**	2.2.2.1.3	(23)	(20)
Distribution expenses	—	**(109)**	2.2.1.1	—		(109)	(95)
General administrative expenses	**(31,375)**	**5,673**	2.2.1.1	—		(25,702)	(22,518)
Other operating expenses		**(6,096)**	2.2.1.1	—		(6,096)	(5,341)
Operating profit	**62,877**	**(14)**		**1,500**		**64,363**	**56,391**
Interest expense	—	—		—		—	—
Other financial result	—	14	2.2.1.1	—		14	12
Financial result	**—**	**14**		**—**		**14**	**12**
Profit before taxes	**62,877**	**—**		**1500**		**64,377**	**56,403**
Income tax expenses	(16,218)			(387)	2.2.2.1.1 2.2.2.1.2 2.2.2.1.3 2.2.2.1.4	(16,605)	(14,548)
Profit after tax	**46.659**	**—**		**1,113**		**47,772**	**41,855**

* Average rate for the period January 1, 2020 to December 31, 2020 used for conversion from USD to EUR: $I.14137= €1

2.2.2.1.1 Property, plant and equipment

The useful life for property, plant and equipment applied by the Target Business was harmonized with RENK Holding GmbH´s IFRS accounting policies. The main area of differences was the useful life for buildings. The Target Business applied on an average 39 years, whereas RENK Holding GmbH applies 33 years. For the fiscal year ended January 1, 2021 this adjustment is amounting to an additional expense of $41 thousand due to accelerated depreciation and a deferred tax income, using the 25.8% Target Business (average) tax rate, of $11 thousand.

2.2.2.1.2 Inventory obsolescence

The Target Business determines an inventory obsolescence reserve by the forecasted potential usage of stock. The forecast period is covering the next five years. In order to harmonize the calculation of the inventory obsolescence reserve with RENK Holding GmbH´s IFRS accounting policies the RENK Holding GmbH approach was applied by analysing the movement of stock within the last two years. In case no movements were recorded, 70% of the carrying amount of the inventory was written off. For the fiscal year ended January 1, 2021, this adjustment is amounting to an income of $1,764 thousand and additional current tax expense, using the 25.8% Target Business tax rate, of $455 thousand.

2.2.2.1.3 Bad debt

Historically the Target Business never had to record material bad debt allowances. Furthermore, there are no significant overdue receivables as of January 1, 2021. However, the subsequent valuation of trade receivables had to be aligned with RENK Holding GmbH´s IFRS accounting policies. For the fiscal year ended January 1, 2021 this adjustment in accordance with IFRS 9 is amounting to $23 thousand expenses for bad debt allowances and $6 thousand additional deferred tax income, applying the Target Business tax rate of 25.8%.

2.2.2.1.4 Leasing and asset retirement obligation provision

The only material lease contract is covering the facility of Target Business´ L3 Magnet-Motor GmbH ("**Magnet Motors**"). In connection with this lease at Magnet Motors an asset retirement obligation provision has been recorded which lead to an additional expense of $200 thousand and an additional deferred tax income of $52 thousand; applying the Target Business tax rate of 25.8% deferred tax income.

2.2.2.2 Explanations of the Recognition and Measurement Adjustments to the Target Business Combined Income Statement for the three month Period ended April 2, 2021

	Target Business For the three months ended April 2,2021						
	($ thousand)						(€ thousand)
	US GAAP	Presentation Adjustment	Note	IFRS Recognition and Measurement Adjustment	Note	Total after Adjustments	Total after Conversion*
Sales revenue	71,369	—		—		71,369	59,198
Cost of sales	(42,972)	(68)	2.2.1.2	(525)	2.2.2.2.1 2.2.2.2.2	(43,566)	(36,136)
Gross profit	**28,397**	**(68)**		**(525)**		**27,803**	**23,062**
Other operating income	**1,235**	**(1,168)**	2.2.1.2	—		**67**	56
Net allowance on financial assets	—	—		**(36)**	2.2.2.2.3	**(36)**	(30)
Distribution expenses	—	**(8)**	2.2.1.2	—		**(8)**	(7)
General administrative expenses	**(7,203)**	**1,885**	2.2.1.2	—		(5,318)	(4,411)
Other operating expenses	—	**(1,873)**	2.2.1.2	—		(1,873)	(1,554)
Operating profit	**22,429**	**(1,233)**		**(562)**		**20,635**	**17,116**
Interest expense	—	1,233	2.2.1.2	—		1,233	1,022
Other financial result	—	—		—		—	—
Financial result	**—**	**1,233**		**—**		**1,233**	**1,022**
Profit before taxes	**22,429**	**—**		**(562)**		**21,867**	**18,138**
Income tax expenses	(5,422)	—		135	2.2.2.2.1 2.2.2.2.2 2.2.2.2.3	(5,287)	(4,385)
Profit after tax	**17,007**	**—**		**(426)**		**16,581**	**13,753**

* Average rate for the period January 1, 2021 to March 31, 2021 used for conversion from USD to EUR: $1.2056 = €1

2.2.2.2.1 Property, plant and equipment

The useful life for property, plant and equipment applied by the Target Business was harmonized with RENK Holding GmbH´s IFRS accounting policies. The main area of differences was the useful life for buildings. The Target business applied on an average 39 years, where RENK Holding GmbH applies 33 years. For the three month period ended April 2, 2021, this adjustment is amounting to an additional expense of $16 thousand due to accelerated depreciation and income tax of $4 thousand, applying the Target Business (average) tax rate of 24.17% deferred tax income.

2.2.2.2.2 Inventory obsolescence

The Target Business determines an inventory obsolescence reserve by the forecasted potential usage of stock. The forecast period is covering the next five years. In order to harmonize the calculation of the inventory obsolescence reserve with RENK Holding GmbH´s IFRS accounting policies the RENK Holding GmbH approach was applied by analysing the movement of stock within the last two years. In case no movements were recorded 70% of the carrying amount of the inventory was written off. For the three month period ended April 2, 2021, this adjustment is amounting to an additional expense of $509 thousand and additional current tax income, using the Target Business tax rate of 24.17%, of $123 thousand.

2.2.2.2.3 Bad debt

Historically the Target Business never had to record material bad debt allowances. Furthermore, there are no significant overdue receivables as of April 2, 2021. However, the subsequent valuation of trade receivables had to be aligned with RENK Holding GmbH´s IFRS accounting policies. For the three month period ended April 2, 2021 this adjustment in accordance with IFRS 9 is amounting to an additional expense for bad debt of $36 thousand and $9 thousand deferred tax income, applying the Target Business tax rate of 24.17%.

2.2.2.3 Explanations of the adjustments to the Target Business Combined Balance Sheet as of April 2, 2021

	Target Business As of April 2,2021				
	($ thousand)				(€ thousand)
	US GAAP	**Recognition and Measurement Adjustments**	**Note**	**Total after Adjustments**	**Total after Conversion***
ASSETS					
Intangible assets	128,021	—		128,021	109,186
Property, plant and equipment	25,864	(444)	2.2.2.3.1 2.2.2.3.2	25,420	21,680
Other and financial investments		—		—	—
Deferred tax assets	2.685	73	2.2.2.3.5	2,758	2,352
Other non-current financial assets	—	—		—	—
Other non-current receivables	—	—		—	—
Non-current assets	**156.570**	**(371)**		**156,199**	**133,218**
Inventories	5,483	1,255	2.2.2.3.3	6,738	5,746
Trade receivables	11.669	(59)	2.2.2.3.4	11,610	9,902
Contract assets	46.972	—		46,972	40,061
Current income tax receivables	—	127	2.2.2.3.5	127	108
Other current financial assets	—	—		—	—
Other current receivables	946	—		946	807
Cash and cash equivalents	7,320	—		7,320	6,243
Current assets	**72,390**	**1,322**		**73,712**	**62,867**
TOTAL ASSETS	**228,960**	**951**		**229,911**	**196,086**

* Spot rate as of March 31, 2021 used for conversion from USD to EUR: $1.1725 = €1

	Target Business As of April 2,2021				
	($ thousand)				(€ thousand)
	US GAAP	Recognition and Measurement Adjustments	Note	Total after Adjustments	Total after Conversion*
Subscribed capital	—	—		—	—
Capital reserves	—	—		—	—
Retained earnings	174,629	562	2.2.2.3.1 2.2.2.3.2 2.2.2.3.3 2.2.2.3.4 2.2.2.3.5	175,191	149,417
Cumulative other equity	—	—		—	—
Equity	**174,629**	**562**		**175,191**	**149,417**
Non-current financial liabilities	—	188	2.2.2.3.2	188	161
Pension provisions	—	—		—	—
Deferred tax liabilities	27,574	—		27,574	23,517
Contract liabilities, non-current	—	—		—	—
Other non-current provisions	—	200	2.2.2.3.2	200	171
Other non-current financial liabilities	2,501	—		2,501	2,133
Other non-current liabilities	388	—		388	331
Non-current liabilities and provisions	**30,463**	**388**		**30,851**	**26,312**
Current financial liabilities	—	—		—	—
Income tax liabilities	—	—		—	—
Trade payables	16,427	—		16,427	14,010
Contract liabilities, current	4,373	—		4,373	3,730
Current income tax payables	—	—		—	—
Other current provisions	2,155	—		2,155	1,838
Other current financial liabilities	—	—		—	—
Other current liabilities	913	—		913	779
Current liabilities and provisions	**23,868**	**—**		**23,868**	**20,357**
TOTAL EQUITY AND LIABILITIES	**228,960**	**951**		**229,911**	**196,086**

* Spot rate as of March 31, 2021 used for conversion from USD to EUR: $1.1725 = €1

2.2.2.3.1 Property, plant and equipment

The useful life for property, plant and equipment applied by the Target Business was harmonized with RENK Holding GmbH´s IFRS accounting policies. The main area of differences was the useful life for buildings. The Target Business applied on an average 39 years, where RENK Holding GmbH applies 33 years. As of April 2, 2021, this adjustment leads to a lower carrying amount of property, plant and equipment in the amount of $589 thousand.

2.2.2.3.2 Leasing and asset retirement obligation provision

The only material lease contract is covering the facility of the Target Business´ Magnet Motors. The recorded right of use asset and the lease liability in accordance with US GAAP was revalued in accordance with IFRS 16 and RENK Holding GmbH´s IFRS accounting policies. The revalued right of use asset is amounting to $2,647 thousand and the lease liability to $2,690 thousand. As of April 2, 2021 this leads to a decrease of the right of use asset of $145 thousand, to an increase of lease liabilities of $188 thousand and to a net deferred tax asset in the amount of $10 thousand, using the Target Business tax rate of 24,17%. In connection with this lease at Magnet Motors an asset retirement obligation provision has recorded which lead to an increase of the other provision of $200 thousand and an increase of deferred tax assets in the amount of $48 thousand, using the Target Business tax rate of 24.17%.

2.2.2.3.3 Inventories

The Target Business determines an inventory obsolescence reserve by the forecasted potential usage of stock. The forecast period is covering the next five years. In order to harmonize the calculation of the inventory obsolescence reserve with RENK Holding GmbH´s IFRS accounting policies the RENK Holding GmbH approach was applied by analysing the movement of stock within the last two years. In case no movements were recorded 70% of the carrying amout of the inventory was written off. As of April 2, 2021 this adjustment is amounting to $1,255 thousand increase in inventories. In the combined income statement for the year ended January 1, 2021 an income of $1,764 thousand was recorded for that adjustment, therefore in the combined income statement for the three month period ended April 2, 2021 an expense of $509 thousand has to be shown that is represented in the combined balance sheet as of April 2, 2021 as decrease in equity.

2.2.2.3.4 Bad debt

Historically the Target Business had never to record material bad debt allowances. Furthermore, there are no significant overdue receivables as of April 2, 2021. However, we had to align the subsequent valuation of trade receivables with RENK Holding GmbH´s IFRS accounting policies. As of April 2, 2021, this adjustment reduces the trade receivables by $59 thousand. Only $36 thousand expense for bad debt had to be recorded in the combined income statement for the three month period ended April 2, 2021 that is represented in the combined balance sheet as of April 2, 2021 as decrease in equity, as $23 thousand expense for bad debt are already included in the combined income statement of for the year ended January 1, 2021. In connection with this IFRS 9 adjustment, deferred tax assets in the amount of $14 thousand, applying the Target Business tax rate of 24.17%, were recorded.

2.2.2.3.5 Deferred tax assets and current income tax receivables

As of April 2, 2021, the average tax rate of the Target business is 24.17%. This tax rate was used for the calculation of the current and deferred taxes of the Target Business in the combined balance sheet as of April 2, 2021. As of April 2, 2021 deferred tax assets of $73 thousand and current income tax receivables of $127 thousand had to be recorded.

3. Basis of Preparation

3.1 Preparation Principles

The Unaudited Pro Forma Consolidated Financial Informationwas prepared on the basis of the *IDW Accounting Practice Statement: Preparation of Pro Forma Financial Information (IDW AcPS AAB 1.004) promulgated by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer in Deutschland e.V., IDW)*.

The pro forma adjustments made for purposes of the Unaudited Pro Forma Consolidated Financial Information are based on the information available at the time of the preparation of the Unaudited Pro Forma Consolidated Financial Information and on preliminary estimates as well as on certain pro forma assumptions, which are described in these pro forma notes.

The Unaudited Pro Forma Consolidated Financial Information reflects pro forma adjustments that are directly attributable to the Renk Acquisition and the Target Business Acquisition and supported by facts. Furthermore, the Unaudited Pro Forma Consolidated Financial Information contains neither potential synergies or cost savings, nor normalization of any restructuring or any additional future expenses or effects that could result from the Target Business Acquisition.

3.2 Acquisition of former RENK AG Group

3.2.1 Basics of the Renk Acquisition

With effect from October 6, 2020, the share purchase agreement concluded on January 30, 2020 between the Issuer and Volkswagen Vermögensverwaltungs-GmbH, for the acquisition of shares in the former RENK AG and the acquisition of the shares in the former RENK AG tendered in the context of the Voluntary Public Takeover was completed. On this day, the Issuer informed the former RENK AG that it now owns more than 90% of the share capital. On October 7, 2020, the Issuer notified the former RENK AG of its request to have the RENK AG Annual General Meeting in accordance with section 62(1) and (5) German Transformation Act (*UmwG*) in connection with section 327a(1) sentence 1 German Stock Corporation Act (*AktG*) with respect to the transfer of the shares of the other shareholders (non-controlling interests) to the Issuer against payment of an appropriate cash compensation, resolve the merger of the former RENK AG and the Issuer (a squeeze-out in terms of merger law). On November 16, 2020, the Issuer informed the former RENK AG that the cash settlement had been determined at €105.72 per share. The Extraordinary General Meeting of the former RENK AG on December 22, 2020 approved the Squeeze Out. The merger became effective with the entry into the Commercial Register on February 15, 2021. The retroactive merger date was January 1, 2020. With the completion of the merger, Rebecca BidCo AG was renamed to RENK Aktiengesellschaft. On April 14, 2021, RENK Aktiengesellschaft changed its legal form to a German limited liability company (*Gesellschaft mit beschränkter Haftung*) under the name RENK GmbH.

3.2.2 Consideration Transferred and Purchase Price Allocation

In connection with the Renk Acquisition the following fair values of the assets and liabilities acquired have been included in the consolidated financial statements of RENK Holding GmbH as of and for the short fiscal year ended December 31, 2020 by taking into account a preliminary purchase price allocation. At the time of preparation of RENK Holding GmbH's consolidated financial statements as of and for the short fiscal year ended December 31, 2020, the purchase price allocation process had not yet been completed due to the high complexity, the specific features of the business model of the acquired companies and the more difficult conditions resulting from the COVID-19-Pandemic.

	2020
	(€million)
Purchase price	625
Non-controlling interests	52
Intangible Assets	212
Property, plant and equipment	290
Other purchased net assets	135
Preliminary goodwill as of December 31, 2020	**39**

The values as accounted for intangible assets, property, plant and equipment and other purchased net assets include the following identifiable assets (the ranges of fair values expected after finalization of the purchase price allocation based on current knowledge are shown in parentheses): Technology (€65 million to €85 million), trademark rights (€30 million to €40 million), customer base (€30 million to €55 million), order backlog (€30 million to €55 million) and tangible assets (€280 million to €330 million). The recognition of the preliminary goodwill reflects the know-how of the workforce and future sales potential.

3.2.3 Renk Acquisition Financing

The total purchase price including the non-controlling interests of former RENK AG Group amounting to €677,000 thousands was financed by €320,000 thousand 5.75% Senior Secured Notes due 2025, €40,000 thousand current 6% shareholder loan, €80,000 thousand non-current 6% shareholder loan, €55,718 thousand 0% shareholder loan and €182,000 thousand RENK Holding GmbH's own liquid funds.

3.3 Target Business Acquisition

3.3.1 Basics of the Target Business Acquisition

On March 1, 2021, the Issuer and L3Harris Technologies, Inc. and L-3 Communications Holding GmbH as sellers entered into an asset and stock purchase agreement for the acquisition of the Target Business. Closing of the Target Business Acquisition is subject to several conditions, including receipt of antitrust and other regulatory approvals. All permits were granted on June 14, 2021. The Target Business Acquisition will be completed on July 2, 2021.

3.3.2 Consideration Transferred and Purchase Price Allocation

The agreed purchase price within the asset and stock purchase agreement amounts to $397,900 thousand. This purchase price will be reduced by the company-stated leakage and the company-stated post-locked box actual cash flow and will be increased by the aggregated amount of the ticking fee (the "**Purchase Price Adjustments**").

In connection with the Target Business Acquisition, the Issuer entered into a contingent forward currency contract with Goldman Sachs Bank Europe SE in order to hedge the risk of fluctuations between Euro and US Dollar between the date of the asset and stock purchase agreement and the closing of the Target Business

Acquisition. The conversion rates from the agreement vary depending on the closing date of the Target Business Acquisition. The secured amount is $300,000 thousand.

Considering for the preparation of the Unaudited Pro Forma Consolidated Financial Information, the secured conversion rate as of June 1, 2021 in accordance with the contingent forward currency contract the conversion rate will be $1.2025 per €1. It is assumed that the entire purchase price and not only the secured amount is converted with this conversion rate.

The purchase price converted with the rate of $1.2025 amounts to €330,894 thousand. The expected Purchase Price Adjustments as of the date of the preparation of the Unaudited Pro Forma Consolidated Financial Information amounts to €27,576 thousand.

The Unaudited Pro Forma Consolidated Financial Information reflects the purchase accounting for the Target Business on a preliminary basis, the difference between the preliminary purchase price in the amount of €303,318 thousand and the Target Business IFRS net assets as of April 2, 2021 will be fully allocated to goodwill.

3.3.3 Target Business Financing

The preliminary purchase price of the Target Business amounting to €303,318 thousand is expected to be financed by €200,000 thousand 5.75% Senior Secured Notes due 2025, a shareholder contribution of €41,554 thousand and €61,764 thousand RENK Holding GmbH's own liquid funds.

3.4 Pro Forma Assumptions

The following pro forma assumptions were applied when preparing the pro forma adjustments.

3.4.1 Date of Acquisition

For purposes of the unaudited pro forma consolidated income statements of RENK Holding GmbH, closing of the Renk Acquisition, including the completion of the consummation of the Voluntary Public Takeover and the completion of the Squeeze Out, as well as the Target Business Acquisition is assumed had occurred as of January 1, 2020, and for purposes of the unaudited pro forma consolidated statement of financial position of RENK Holding GmbH, it is assumed that closing of the Target Business Acquisition had occurred as of March 31, 2021.

3.4.2 Date of Incorporation of RENK Holding GmbH

The unaudited pro forma consolidated income statement of RENK Holding GmbH for the period from January 1, 2020 to December 31, 2020 assumes that the incorporation of former RENK AG Group for purpose of facilitating the Renk Acquisition and the Target Business Acquisition had already taken place on January 1, 2020 and therefore, that RENK Holding GmbH existed as of January 1, 2020, which is prior to the date of its incorporation.

3.4.3 Target Business Acquisition Purchase Price and Financing

The purchase price is amounting to €303,318 thousand based on the assumed secured conversion rate as of June 1, 2021 in accordance with the contingent forward currency contract for purposes of the Unaudited Pro Forma Consolidated Financial Information. In addition, for purposes of the Unaudited Pro Forma Consolidated Financial Information it is assumed that the Target Business Acquisition will be financed by €200,000 thousand 5.75% Senior Secured Notes due 2025, a shareholder contribution of €41,554 thousand and RENK Holding GmbH´s own liquid funds in the amount of €61,764 thousand.

3.4.4 Acquisition Costs

Based on current information RENK Holding GmbH has estimated that the acquisition related costs amount to €4,200 thousand, mainly comprising legal costs as well as other consulting fees with respect to the Target Business Acquisition.

4. Unaudited Pro Forma Consolidated Income Statement of RENK Holding GmbH for the Period January 1, 2020 to December 31, 2020

	Historical Financial Information						
	Renk Holding GmbH Group For the period January 1, 2020 to December 31, 2020	Renk AG Group For the period January 1, 2020 to September 30, 2020	Target Business For the year ended January 1, 2021	Total	Pro Forma Adjustments	Pro Forma Note	Pro Forma Consolidated Income Statement for the Period January 1, 2020 to December 31, 2020
			(€ thousand)				
Sales revenue	154,974	395,233	207,237	757,444	—		757,444
Cost of Sales	(119,661)	(313,380)	(126,934)	(559,975)	(15,076)	4.1.1	(575,050)
Gross profit	**35,313**	**81,853**	**80,304**	**197,470**	**(15,076)**		**182,394**
Other operating income	1,852	5,207	4,062	11,121	—		11,121
Net allowance on financial assets	(833)	2,186	(20)	1,333	—		1,333
Distribution expenses	(9,160)	(29,178)	(95)	(38,433)	—		(38,433)
General administrative expenses	(6,875)	(21,921)	(22,518)	(51,314)	—		(51,314)
Other operating expenses	(20,793)	(5,407)	(5,341)	(31,541)	(3,718)	4.1.2	(35,259)
Operating profit	**(496)**	**32,740**	**56,391**	**88,635**	**(18,793)**		**69,842**
Interest expense	(13,368)	(366)	—	(13,734)	(27,104)	4.1.3	(40,838)
Other financial result	378	159	12	549	—		549
Financial result	**(12,990)**	**(207)**	**12**	**(13,185)**	**(27,104)**		**(40,289)**
Profit before taxes	**(13,486)**	**32,533**	**56,403**	**75,450**	**(45,897)**		**29,553**
Income tax expenses	(10,704)	(7,299)	(14,548)	(32,551)	13,869	4.1.1 4.1.2 4.1.3	(18,682)
Profit after tax	**(24,190)**	**25,234**	**41,855**	**42,899**	**(32,028)**		**10,871**

4.1. Pro Forma Adjustments to the Pro Forma Consolidated Income Statement of RENK Holding GmbH for the Period from January 1, 2020 to December 31, 2020

4.1.1 Purchase Price Allocation for former RENK AG Group

This pro forma adjustment is related to (i) the additional depreciation and amortisation of the assets, identified during the preliminary purchase price allocation of the Renk Acquisition, if the acquisition of the former RENK AG Group had occurred on January 1, 2020 and (ii) the partial revaluation of assets, which were acquired as part of the Horstman acquisition in 2019. For the period from January 1, 2020 to December 31, 2020 the adjustments are amounting to (i) €15,985 thousand additional cost of sales and €4,796 thousand deferred tax income, using the RENK Holding GmbH Group tax rate of 30% and (ii) €909 thousand decreased cost of sales and €173 thousand deferred tax expense, using the Horstman Group tax rate of 19%.

4.1.2 Acquisition Costs Target Business

The preliminary estimated acquisition costs for the Target Business Acquisition are amounting in total to €4,200 thousand and include in particular costs for due diligence services, legal and tax advices. Thereof an amount of €482 thousand is already considered in the historical consolidated financial statements of RENK Holding GmbH as of and for the short fiscal year ended December 31, 2020. To show the acquisition of the Target Business as it had already taken place on January 1, 2020, an additional other operating expense of €3,718 thousand and deferred tax income of €1,115 thousand, using the 30% RENK Holding GmbH Group tax rate, have to be adjusted for the period from January 1, 2020 to December 31, 2020.

4.1.3 Financing Costs Renk Acquisition and Target Business Acquisition

This pro forma adjustment is related to (i) the additional financing costs in respect of the €320,000 thousand 5.75% Senior Secured Notes due 2025 for the Renk Acquisition using in accordance with IFRS the effective interest rate considering transactions costs of 6.41%, (ii) the additional €200,000 thousand 5.75% Senior Secured Notes due 2025 for the Target Business Acquisition using the effective interest rate considering transaction costs in the amount of 6.15% starting on January 1, 2020, (iii) the €40,000 thousand 6% current shareholder loan and (iv) the €80,000 thousand 6% non-current shareholder loan that would have incurred in the period from January 1, 2020 to December 31, 2020 if the acquisition of former RENK AG Group, the acquisition of the Target Business and the related financing transactions had occurred on January 1, 2020.

The total financing costs for the period from January 1, 2020 to December 31, 2020 for all financing components described above are amounting to €38,924 thousand. The split is as follows:

		Period January 1, 2020 to December 31, 2020
		(€ thousand)
Original Note (€320 million 5.75% senior secured notes due 2025)	(i)	19,761
Additional Note (€200 million 5.75% senior secured notes due 2025)	(ii)	11,963
Current shareholder loan (€40 million, 6%)	(iii)	2,400
Non-current shareholder loan (€80 million, 6%)	(iv)	4,800
Total interest expense		**38,924**

In the historical consolidated income statement of RENK Holding GmbH for the short fiscal year ended December 31, 2020 financing costs for the financing components (i), (iii) and (iv) are included from the date of granting the financial instrument until December 31, 2020. In order to present the financing expense for the period from January 1, 2020 to December 31, 2020 the following pro forma adjustment was made:

		Period January 1, 2020 to December 31, 2020
		(€ thousand)
Original Note (€320 million 5.75% Senior Secured Notes due 2025)	(i)	9,662
Additional Note (€200 million 5.75% senior secured notes due 2025)	(ii)	11,963
Current shareholder loan (€40 million, 6%)	(iii)	1,827
Non-current shareholder loan (€80 million, 6%)	(iv)	3,653
Total pro forma adjustment interest expense		**27,104**
Current tax income, using the 30% RENK Holding GmbH Group tax rate		7,792
Deferred tax income, using the 30% RENK Holding GmbH Group tax rate		339

5. Unaudited Pro Forma Consolidated Income Statement of RENK Holding GmbH for the three month Period ended March 31, 2021

	Historical Financial Information					
	Renk Holding GmbH Group For the three month ended March 31, 2021	Target Business for the three month ended April 2, 2021	Total	Pro Forma Adjustments	Pro Forma Note	Pro Forma Consolidated Income Statement for the Period January 1, 2021 to March 31, 2021
			(€ thousand)			
Sales revenue	**127,045**	**59,198**	**186,243**	**—**		**186,243**
Cost of Sales	(98,529)	(36,136)	(134,665)	—		(134,665)
Gross profit	**28,516**	**23,062**	**51,578**	**—**		**51,578**
Other operating income	2,741	56	2,797	—		2,797
Net allowance on financial assets	(140)	(30)	(170)	—		(170)
Distribution expenses	(9,471)	(7)	(9,478)	—		(9,478)
General administrative expenses	(7,186)	(4,411)	(11,597)	—		(11,597)
Other operating expenses	(4,663)	(1,554)	(6,217)	1,049	5.1.1	(5,168)
Operating profit	**9,798**	**17,116**	**26,913**	**1,049**		**27,961**
Interest expense	(12,384)	1,022	(11,362)	(2,988)	5.1.2	(14,349)
Other financial result	6,363	—	6,363	—		6,363
Financial result	(6,021)	1,022	(4,999)	(2,988)		(7,986)
Profit before taxes	**3,778**	**18,138**	**21,914**	**(1,939)**		**19,975**
Income tax expenses	(1,154)	(4,385)	(5,539)	582	5.1.1 5.1.2	(4,957)
Profit after tax	**2,624**	**13,753**	**16,375**	**(1,357)**		**15,018**

5.1. Pro Forma Adjustments to the Pro Forma Consolidated Income Statement of RENK Holding GmbH for the Period from January 1, 2021 to March 31, 2021

5.1.1 Acquisition Costs Target Business

The preliminary estimated acquisition costs for the Target Business Acquisition are amounting in total to €4,200 thousand and include in particular costs for due diligence services, legal and tax advices. Thereof already expensed in RENK Holding GmbH's historical consolidated income statement for the short fiscal year ended December 31, 2020 €482 thousand and for the three month period ended March 31, 2021 €1,049 thousand. To show the acquisition of the Target Business as it had already taken place on January 1, 2020 a reduction in other operating expenses of €1,049 thousand and additional deferred tax expense, using the 30% RENK Holding GmbH Group tax rate, of €315 thousand have to be adjusted for the period from January 1, 2021 to March 31, 2021.

5.1.2 Financing Costs Target Business Acquisition

This pro forma adjustment is related to the additional interest expense of €2,988 thousand and deferred tax income of €896 thousand, using the RENK Holding GmbH Group tax rate of 30%, in respect of the additional €200,000 thousand 5.75% Senior Secured Notes due 2025 for the Target Business Acquisition using the effective interest rate considering transaction costs in the amount of 6.15% for the period from January 1, 2021 to March 31, 2021.

6. Unaudited Pro Forma Consolidated Statement of Financial Position of RENK Holding GmbH as of March 31, 2021

	Historical financial information					
	Renk Holding GmbH Group As of March 31, 2021	Target Business As of April 2, 2021	Total	Pro forma Adjustments	Pro Forma Note	Pro Forma Consolidated Statement of Financial Position As of March 31, 2021
			(€ Thousand)			
ASSETS						
Intangible assets	241,876	109,186	351,062	152,863	6.1.1	503,926
Property, plant and equipment	295,879	21,680	317,559	(1,038)	6.1.1	318,597
Other and financial investments	23,708	—	23,708	—		23,708
Deferred tax assets	1,440	2,352	3,792	—		3,792
Other non-current financial assets	4,533	—	4,533	—		4,533
Other non-current receivables	4,816	—	4,816	—		4,816
Non-current assets	**572,250**	**133,218**	**705,470**	**153,901**		**859,372**
Inventories	261,108	5,746	266,853	—		266,853
Trade receivables	98,971	9,902	108,873	—		108,873
Contract assets	3,698	40,061	43,759	—		43,759
Current income tax receivables	15,476	108	15,584	—		15,584
Other current financial assets	23,959	—	23,959	—		23,959
Other current receivables	11,437	807	12,244	—		12,244
Cash and cash equivalents	153,470	6,243	159,713	(61,764)	6.1.2	97,949
Current assets	**568,119**	**62,867**	**630,985**	**(61,764)**		**569,221**
TOTAL ASSETS	**1,140,369**	**196,086**	**1,336,456**	**92,137**		**1,428,593**
Subscribed capital	25	—	25	—		25
Capital reserves	270,755	—	270,755	41,554	6.1.2	312,309
Retained earnings	(21,566)	149,417	127,851	(149,417)	6.1.1	(21,566)
Cumulative other equity	12,208	—	12,208	—		12,208
Equity	**261,421**	**149,417**	**410,839**	**(107,863)**		**302,976**
Non-current financial liabilities	403,841	161	404,002	197,350	6.1.2	601,352
Pension provisions	5,146	—	5,146	—		5,146
Deferred tax liabilities	84,098	23,517	107,615	—		107,615
Contract liabilities, non-current	76,461	—	76,461	—		76,461
Other non-current provisions	13,637	171	13,808	—		13,808
Other non-current financial liabilities	517	2,133	2,650	—		2,650
Other non-current liabilities	—	331	331	—		331
Non-current liabilities and provisions	**583,700**	**26,312**	**610,012**	**197,350**		**807,362**
Current financial liabilities	42,662	—	42,662	—		42,662
Income tax liabilities	652	—	652	—		652
Trade payables	52,057	14,010	66,067	2,650	6.1.2	68,717
Contract liabilities, current	112,173	3,730	115,903	—		115,903
Current income tax payables	697	—	697	—		697
Other current provisions	48,426	1,838	50,264	—		50,264
Other current financial liabilities	3,036	—	3,036	—		3,036
Other current liabilities	35,544	779	36,323	—		36,323
Current liabilities and provisions	**295,248**	**20,357**	**315,604**	**2,650**		**318,254**
TOTAL EQUITY AND LIABILITIES	**1,140,369**	**196,086**	**1,336,456**	**92,137**		**1,428,593**

6.1 Pro Forma Adjustments to the Pro Forma Consolidated Statement of Financial Position of RENK Holding GmbH as of March 31, 2021

6.1.1 Target Business Acquisition

For purposes of the pro forma consolidated statement of financial position as of March 31, 2021 goodwill recognized in the Target Business' historical combined balance sheet as of April 2, 2021 in the amount of €108,783 thousand and negative tangible asset adjustments of €1,038 thousand resulting out of the Target Business' historical business combinations were eliminated. Accordingly, the retained earnings after elimination of the historical goodwill and negative tangible assets adjustments were reduced by €107,745 thousand for purposes of the pro forma consolidated statement of financial position as of March 31, 2021.

The Unaudited Pro Forma Consolidated Financial Information reflects the purchase accounting for the Target Business on a preliminary basis, the difference between the preliminary purchase price in the amount of €303,318 thousand and the Target Business IFRS net assets as of April 2, 2021 in the amount of €149,417 thousand, reduced by the elimination of the historical business combination in the amount of €107,745 thousand, is fully allocated to goodwill in the amount of €261,646 thousand.

6.1.2 Target Business Acquisition Financing

The financing of the preliminary purchase price in the amount of €303,318 thousand for the Target Business Acquisition is presented in the pro forma adjustments as follows:

- Additional non-current financial liabilities in the amount of €197,350 thousand, which are resulting out of the €200,000 thousand 5.75% Senior Secured Notes due 2025, reduced by transaction costs in the amount of €2,650 thousand. As of March 31, 2021, transaction costs are not paid yet. Therefore, trade payables increased in the amount of €2,650 thousand accordingly.
- Additional capital reserves as a result of a shareholder equity contribution in the amount of €41,554 thousand.
- Use of cash and cash equivalents in the amount of €61,764 thousand out of RENK Holding GmbH Group´s liquid funds.

7. Pro Forma Adjustments with One-time and Continuing Effect

7.1 Pro Forma Adjustment with One-time-Effect

The pro forma adjustments to the unaudited pro forma consolidated income statements include the following adjustments with a one-time effect:

- the Pro Forma adjustments with respect to the preliminary estimated acquisition costs for the Target Business Acquisition (see sections 4.1.2 and 5.1.1)

7.2 Pro Forma Adjustment with a Continuing Effect

The Pro Forma Adjustments to the unaudited pro forma consolidated income statements include the following adjustments with a continuing effect:

- the pro forma adjustment with respect to the purchase price allocation for former RENK AG Group (see section 4.1.1)
- the pro forma adjustment with respect of the financing costs of the Renk Acquisition and Target Business Acquisition (see sections 4.1.3 and 5.1.2)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE FORMER RENK AG GROUP AND RENK HOLDING GMBH GROUP

The following is a discussion of the results of operations and financial condition of the former RENK AG Group as of and for the fiscal years ended December 31, 2018 and 2019, respectively, and the three month period ended March 31, 2020 and of the results of operations and financial condition of the former RENK AG Group for the twelve month period ended December 31, 2020, as if the former RENK AG had not been merged into RENK GmbH with retrospective effect as of January 1, 2020 and had existed during the twelve month period ended December 31, 2020, as well as of RENK Holding GmbH Group as of December 31, 2020 and of the results of operations and financial condition of RENK Holding GmbH Group as of and for the three month period ended March 31, 2021.

The consolidated financial information as of and for the fiscal years ended December 31, 2018 and 2019, respectively, as well as for the three month period ended March 31, 2020 contained in the following section is taken or derived from the audited consolidated financial statements of the former RENK AG as of and for the fiscal year ended December 31, 2019 (with comparative financial information as of and for the fiscal year ended December 31, 2018), and the unaudited condensed consolidated interim financial statements of the former RENK AG as of and for the three month period ended March 31, 2020 which are included elsewhere in this offering memorandum, as well as from the former RENK AG's internal accounting or reporting systems. The audited consolidated financial statements of the former RENK AG as of and for the fiscal year ended December 31, 2019 have been prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (Handelsgesetzbuch, HGB*). The unaudited condensed consolidated interim financial statements of the former RENK AG as of and for the three month period ended March 31, 2020 have been prepared in accordance with IFRS as applicable for interim financial reporting (IAS 34).*

On February 15, 2021, the former RENK AG was merged into the Issuer as the surviving entity with retrospective effect as of January 1, 2020. Therefore, no historical consolidated financial information for the former RENK AG as of and for the fiscal year ended December 31, 2020 is available. The Issuer does not prepare audited consolidated financial statements. In this offering memorandum, we therefore have include audited consolidated financial statements as of and for the short fiscal year ended December 31, 2020 and unaudited condensed consolidated interim financial statements as of and for the three month period ended March 31, 2021 of RENK Holding GmbH. The short fiscal year ended December 31, 2020 of RENK Holding GmbH comprises the period from January 2, 2020 to December 31, 2020 and includes the operations of the former RENK AG Group only from the date of the consummation of the Renk Acquisition in October 2020. RENK Holding GmbH is a holding company with no sales revenue-generating activities of its own, and has not and does not expect to have any business operations, material assets or liabilities other than its shares in FinCo, the direct holding company of the Issuer. FinCo is a holding company with no sales revenue-generating activities of its own, and has not and does not expect to have any business operations, material assets or liabilities other than its shares in the Issuer. The audited consolidated financial statements of RENK Holding GmbH as of and for the short fiscal year ended December 31, 2020 have been prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (Handelsgesetzbuch, HGB*). The unaudited condensed consolidated interim financial statements of RENK Holding GmbH as of and for the three month period ended March 31, 2021 have been prepared in accordance with IFRS as applicable for interim financial reporting (IAS 34).*

The consolidated financial statements of RENK Holding GmbH as of and for the short fiscal year ended December 31, 2020 include the operations of the former RENK AG Group only from the date of the consummation of the Renk Acquisition in October 2020 and on the basis of preliminary purchase accounting according to IFRS 3. Prior to that date, RENK Holding GmbH was a holding company without sales revenue-generating activities. The consolidated financial information of RENK Holding GmbH as of and for the short fiscal year ended December 31, 2020 included elsewhere in this offering memorandum is therefore not comparable to the consolidated financial information of the former RENK AG as of and for the fiscal years ended December 31, 2019 and 2018. For better comparability, the unaudited as if income statement and statement of cash flows financial information for the former RENK AG Group for the twelve month period ended December 31, 2020 included in the following section therefore is presented as if the former RENK AG had not been merged into RENK GmbH with retrospective effect as of January 1, 2020 and had existed during the twelve month period ended December 31, 2020, and is derived from RENK Holding GmbH's internal accounting and reporting systems. The unaudited as if financial information for the former RENK AG Group does not take into account the effects of the Original Transactions (including the related financing) on the Group. The financial information with respect to the consolidated statement of financial position as of December 31, 2020 presented in this section *is taken or derived from RENK Holding GmbH's audited consolidated financial statements as of and for the short fiscal year ended December 31, 2020.*

The consolidated financial information as of and for the three months ended March 31, 2021 contained in the following section is taken or derived from the unaudited condensed consolidated interim financial statements of RENK Holding GmbH as of and for the three month period ended March 31, 2021, which are included elsewhere in this offering memorandum, as well as from RENK Holding GmbH's internal accounting or reporting systems.

The financial information marked as "audited" in tables in this offering memorandum is taken from the audited consolidated financial statements mentioned above. Financial information marked as "unaudited" in tables in this offering memorandum is not taken from the audited consolidated financial statements and was either taken from the unaudited condensed consolidated interim financial statements mentioned above or the former RENK AG's or RENK Holding GmbH's internal accounting or reporting systems or is based on calculations of figures of the above mentioned sources.

From January 1, 2019, the former RENK AG applied IFRS 16 Leases for the first time in its consolidated financial statements as of and for the fiscal year ended December 31, 2019 which had an impact on its reported consolidated income statement, as well as consolidated statements of financial position and presentation of cash flows. In implementing IFRS 16, the former RENK AG selected the modified retrospective approach as the transition method, which means that the comparison figures for 2018 are not restated in its consolidated financial statements as of and for the fiscal year ended December 31, 2019, and thus not comparable. In order to facilitate a comparison between periods, the details of the income statement and statement of financial position items affected by the implementation of IFRS 16 are summarized in "— Accounting Standards Adopted from the Fiscal Year ended December 31, 2019."

The following discussion should be read in conjunction with "Selected Financial Information" and the former RENK AG's audited consolidated financial statements as of and for the fiscal year ended December 31, 2019 (with comparative financial information as of and for the fiscal year ended December 31, 2018) as well as RENK Holding GmbH's audited consolidated financial statements as of and for the short fiscal year ended December 31, 2020, in each case including the related notes thereto, as well as the unaudited condensed consolidated interim financial statements of the former RENK AG as of and for the three month period ended March 31, 2020 and the unaudited condensed consolidated interim financial statements of RENK Holding GmbH as of and for the three month period ended March 31, 2021, in each case including the related notes thereto, contained elsewhere in this offering memorandum. In addition, some of the information contained in this discussion contain forward-looking statements that involve risks and uncertainties. You should read "Forward-Looking Statements" for a discussion of the risks related to those statements. You should also read "Business" and "Risk Factors" for more information about the Combined Group, including a discussion of certain factors that may adversely affect the Combined Group's business, results of operations and financial condition.

Overview

The Group serves a diverse range of end-markets with a particular focus on armored vehicles, defense and civil marine, energy generation, cement production, plastics production, oil & gas, and other industries. The Group's products are, in many cases, mission-critical to its customers' end-products and require high quality and reliability. As a result, the Group is a trusted supplier of premium products and is involved at all critical stages of its customers' value chain, from engineering, to commissioning and aftermarket services. Long-term contracts in certain of its business units, in particular vehicle transmissions and Navy gearboxes provide stability of its sales revenue and operating profitability as well as a natural hedge during sudden economic downturns. In the twelve month period ended December 31, 2020, the former RENK AG Group generated *as if* sales revenue of €550,207 thousand and *as if* Adjusted EBITDA of €86,098 thousand.

The Group operates through four business units: Vehicle Transmissions, Special Gear Units, Standard Gear Units and Slide Bearings.

The *Vehicle Transmissions* business unit is one of the leading producers of fully automatic transmissions for medium- and heavy-weight tracked vehicles according to the Third Party Report as well as a producer of test rigs for various industrial end-markets. In 2019, the Group acquired the Horstman Group, a provider of armored vehicle suspension systems, which also added manufacturing capabilities in the United Kingdom and the United States in addition to this business unit's existing production operations in Germany and France. In the twelve month period ended December 31, 2020, the Vehicle Transmissions business unit generated 43.3% of the former RENK AG Group's *as if* total sales revenue and 71.0% of the former RENK AG Group's *as if* operating profit (before inter-business unit consolidation).

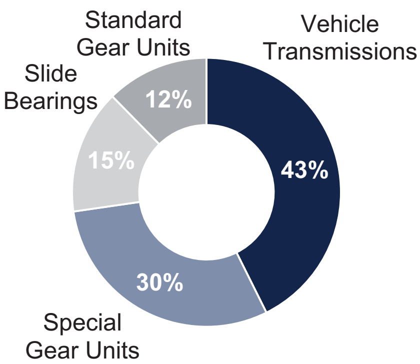
The *Special Gear Units* business unit comprises of the production of large gear units, ranging from stationary gear units for a variety of industrial applications to high-speed gear units mainly for the oil & gas sector and complex gear units for fast ferries, mega-yachts and naval applications. According to the Third Party Report, the Group is a global leader in naval applications and gear systems for combined propulsion systems. In the twelve month period ended December 31, 2020, the Special Gear Units business unit generated 30.5% of the former RENK AG Group's *as if* total sales revenue and 8.7% of the former RENK AG Group's *as if* operating profit (before inter-business unit consolidation).

The *Standard Gear Units* business unit specializes in the production of marine gearboxes for merchant ships, ferries, LNG/LPG tankers, and other specialty ships, as well as stationary gearboxes and couplings for energy generation, oil & gas, and other industrial applications. This business unit is a technology player with a market leading position for large single and twin engine marine gear units. In the twelve month period ended December 31, 2020, the Standard Gear Units business unit generated 12.5% of the former RENK AG Group's *as if* total sales revenue and 1.3% of the former RENK AG Group's *as if* operating profit (before inter-business unit consolidation).

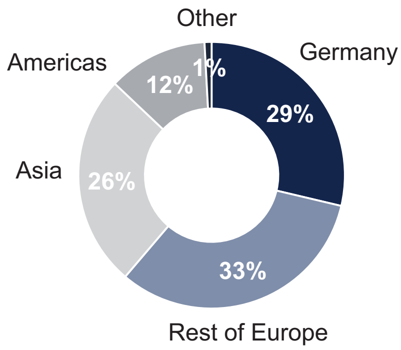
The *Slide Bearings* business unit primarily supplies hydro-dynamically lubricated slide bearings used in electric motors, generators, pumps, blowers, water turbines, conveyors and marine applications. The Group believes it is the global leader in E-bearings for electrical machines with a global distribution network. In the twelve month period ended December 31, 2020, the Slide Bearings business unit generated 15.2% of the former RENK AG Group's *as if* total sales revenue and 19.0% of the former RENK AG Group's *as if* operating profit (before inter-business unit consolidation).

The charts below provide an overview of the former RENK AG Group's *as if* total sales revenue by business unit (before inter-business unit consolidation) and split by geography for the twelve month period ended December 31, 2020:

Total sales revenue by business unit



Split by geography



The Group generates approximately half of its sales revenue from customers in the defense sector, which generally provides it with stable sales revenue streams based on a strong order book and long-term contracts. In addition, the Group benefits from positive secular trends in its key underlying markets. Spend for armored vehicles is expected to grow on the back of increasing geopolitical tensions and pressure on all NATO member states to increase their defense budgets to 2% of their respective GDP. The Navy market is expected to remain at current high levels. The Group's civil marine and industrial end-markets are at or close to the bottom of their respective cycles and the Group therefore believes that these have limited further downside from cyclicality. In addition to new equipment sales, the Group generates a significant portion of its sales revenue from recurring aftermarket business (more than one third of its *as if* sales revenue of the former RENK AG Group) by leveraging the Group's large and growing installed base across the entire product portfolio.

The Group has a diverse and loyal customer base characterized by long-standing customer relationships with blue-chip OEMs, including Fincantieri, General Dynamics, GE, KMW, Lockheed Martin, Rheinmetall, and Siemens, as well as government agencies, primarily in the defense sector. Complex technological requirements, coupled with required customer credentials and reliability assurances for mission-critical products support customers' loyalty to the Group as a trusted supplier and increase barriers to entry for new competitors. In addition, the Group's strong focus on R&D, together with its fully-owned and well-invested modern production facilities, allow the Group to meet high customer requirements with respect to quality, reliability and delivery of customized solutions.

The Group's competitive strengths are built on maintaining its leading technological positions in individual application areas, the Group's global presence in its relevant markets and its high level of service quality tailored to the needs of international customers. Combining the individual strengths and product expertise of the Group's individual business units enables the Group to realize synergies on large-scale projects.

Headquartered in Augsburg, Germany, the Group operates seven production sites and 13 branch offices around the world. Its production sites are located in Germany (Augsburg, Rheine, Hanover), Switzerland (Winterthur), France (Saint-Ouen-l'Aumône), the United Kingdom (Bath) and the United States (Sterling Heights). As of March 31, 2021, the Group had approximately 2,600 employees (including consolidated entities only), of which approximately 2,000 were located in Germany.

Key Factors Affecting the Group's Results of Operations

New Product Sales Volumes and Aftersales Business

The Group's sales revenue is primarily a function of two factors: (i) the number of products the Group sells and the prices at which the Group sells such products; and (ii) the Group's ability to generate sales revenue from aftersales services provided for such products. The Group's solid sales revenue development has been a key driver of the Group's gross profit for the period from the fiscal year ended December 31, 2018 until the first quarter of the fiscal year ending December 31, 2021. During any given period, the Group's results of operations are affected by the mix of products sold in each business unit and the relative contribution of each business unit to the Group's overall results.

The Group's results of operations depend on its ability to sell products to customers and to generate sales revenue from aftersales services (*e.g.*, spare parts and maintenance and overhaul services), which typically generate higher margins. For example, from the fiscal year ended December 31, 2018 to the twelve month period ended December 31, 2020, the Group's sales revenue compared to the former RENK AG Group's *as if* sales revenue increased by approximately 10%. While the Group's new business sales revenue compared to the former RENK AG Group's *as if* new business sales revenue increased by approximately 12% over the same period, the Group's aftersales sales revenue compared to the former RENK AG Group's *as if* aftersales sales revenue increased by approximately 4%. The Group's significant exposure to the defense segment (vehicle transmissions and Navy gearboxes) and multiple end-markets in its industrial business provide a degree of stability during periods of economic downturns as well as recurring revenue due to the long-term nature of the contracts and life of the products. For example, in the twelve month period ended December 31, 2020, new product and aftermarket *as if* sales revenue, including intercompany revenue in the Group's defense business generated more than half of the former RENK AG Group's *as if* total sales revenue. Sales revenue in the Group's industrial business accounted for the remaining part of the Group's total sales revenues. While the relative share of new product and higher-margin aftersales revenue may fluctuate from year to year given the project nature of the Group's business, the aftersales business, coupled with the long product life of many of the Group's products, offers a degree of resiliency and revenue visibility.

Technological Innovation

The Group's success and profitability are driven in large part by its ability to continue to develop and introduce innovative products to the market. The Group believes that its technological innovation allows it to maintain market share for the Group's business units, which, in turn, generates higher-margin new product sales and aftersales recurring sales revenue that can be reinvested into innovation and therefore renew the cycle.

While the technology used in many of the Group's products is well-established, the end-user market demands ongoing improvements and development of more specialized application-based products, which require considerable R&D efforts and expertise. The Group has made it its goal to maintain and expand its leading technological positions in key areas. R&D plays an ever more prominent role in this. Most of the products in the Group's range have long lifecycles, so in addition to new developments within and outside the existing product lines, the Group's innovation efforts mainly focus on progress that benefits customers.

In the fiscal years ended December 31, 2018 and 2019, the former RENK AG Group incurred €13,069 thousand and €13,711 thousand respectively of R&D Costs under IFRS, presented within the cost of sales and in the twelve month period ended December 31, 2020 the former RENK AG Group incurred *as if* €14,964 thousand in R&D Costs under IFRS. In addition, the Group conducts similar research and development activities on an order-specific basis depending on its customers' demands and needs. These costs are recognized within the Group's cost of sales and are assigned to the respective customer order. These costs amounted to approximately 1.5 times the former RENK AG Group's *as if* R&D Costs in the twelve month period ended December 31, 2020, see "*Business—R&D*."

COVID-19

The ongoing COVID-19 pandemic had a moderate impact on the Group's results of operations and business since the beginning of 2020 and the former RENK AG Group's sales revenue decreased by 1.5% from €558,609 thousand for the former RENK AG Group in the fiscal year ended December 31, 2019 to *as if* €550,207 thousand for the former RENK AG Group in the twelve month period ended December 31, 2020. As a significant part of the Group's sales revenue is generated from long-term contracts, the COVID-19 pandemic and the various measures imposed by authorities around the world to contain its spread mainly had an impact on the Group's service business due to travel restrictions and project delays at the Group's customers. However, this impact gradually faded over the course of the twelve month period ended December 31, 2020. In addition, the Group implemented several measures to safeguard its operations and to minimize physical interaction (including social distancing measures, flexible working hours and minimizing travel). There have been no major closures of any of the Group's production facilities. However, as of the date of this offering memorandum it is not possible to accurately predict the near-, medium- or long-term impact of COVID-19 on the Group's operations, business and industry.

Acquisition of the Horstman Group

On April 16, 2019, the former RENK AG acquired all shares in the Horstman Group, an armored vehicle suspensions system provider, at a converted purchase price of €44.4 million, representing total identifiable net assets in an amount of €38.7 million and goodwill of €5.7 million. In 2019, the former RENK AG Group's sales revenue includes €31.7 million generated by Horstman. If the acquisition had been consummated on January 1, 2019, estimated additional sales revenue of €13.0 million and additional earnings of €1.2 million would have been generated in 2019. In 2019, the former RENK AG Group incurred costs of €879 thousand for legal and due diligence services in connection with the business combination. These costs are recognized in other operating expenses. For additional information on the acquisitions of the Horstman Group, see Note 14 of the audited consolidated financial statements of the former RENK AG as of and for the fiscal year ended December 31, 2019 included elsewhere in this offering memorandum.

Revenue Generation through the Fiscal Quarters

The Group's sales in the first two quarters of the fiscal year have historically been substantially lower than its sales in the third and fourth quarters. This is primarily due to delivery time requests of customers in large projects, mainly in the Special Gears Units business unit.

Financing Arrangements

In connection with the Renk Acquisition, the Group incurred a significant amount of additional financial indebtedness, which, in turn, resulted in considerable increase in interest expense. Interest expense increased from €828 thousand for the former RENK AG Group for the fiscal year ended December 31, 2019 to €13,368 thousand for the RENK Holding GmbH Group for the short fiscal year ended December 31, 2020, mainly due to the issuance of the Original Notes in July 2020. Following completion of the Offering and the Acquisition, the Group's interest expense is expected to increase further as a result of the issuance of the Additional Notes.

Explanation of Key Line Items

Sales revenue. Sales revenue is derived from the sale of vehicle transmissions, gear units, slide bearings, couplings, and test systems to component suppliers, gear manufacturers, service suppliers, OEMs and other customers. Sales revenue also includes revenue from services and sales of spare parts. All recognized sales revenue results from contracts with customers. The performance obligations extend to all products in the Group's product range. The Group typically recognizes sales revenue at a point in time upon full transfer of an asset to the customer. Sales revenue from performance obligations fulfilled over time is accounted for using the percentage of completion method.

Cost of sales. Cost of sales consists of costs of the products and merchandise sold. In addition to the direct material and manufacturing costs, production costs also comprise production-relation overheads, including depreciation on production equipment, as well as R&D costs.

Other operating income. Other operating income consists primarily of income from exchange rates changes and realized and unrealized gains on derivatives and income from reversals of provisions and income from asset disposals. Derivatives are used to hedge material exchange rate risks of future cash flows in currencies others than the functional currency.

Distribution expenses. Distribution expenses are primarily related to sales, service, marketing, shipping and order processing departments.

General administrative expenses. General administrative expenses primarily comprise expenses related to the executive board or managing directors, HR, Finance, Strategy and international IT departments.

Other operating expenses. Other operating expenses primarily comprise incidental costs of business combinations, expenses from exchange rate changes and realized and unrealized losses on derivatives, personnel expenses and expenses from additions to miscellaneous other provisions.

Interest expense. Interest expense consists of interest expenses on bond, loan interest, guarantee commissions, interest cost on provisions and liabilities and interest and similar expenses.

Other financial result. Other financial result consists of income from dividends, income from measurement effects and other interests and similar income, together with expenses from measurement effects and write-downs on financial instruments and equity instruments as well as income from reversals of impairment losses for equity investments.

Income tax expense. Income tax expenses consists of current taxes and deferred taxes.

Results of Operations

The following table sets forth RENK Holding GmbH's and the former RENK AG's (or, with respect to the twelve month period ended December 31, 2020, *as if* former RENK AG's) consolidated income statement for the periods indicated:

	Fiscal year ended December 31,		Twelve months ended December 31,	Three months ended March 31,	
	2018	2019	2020	2020	2021
	former RENK AG Group		as if former RENK AG Group	former RENK AG Group	RENK Holding GmbH Group
			(€ thousand)		
	(audited)		(unaudited)	(unaudited)	
Sales revenue	502,218	558,609	550,207	113,367	127,045
Cost of sales	(383,442)	(428,790)	(421,328)	(91,419)	(98,529)
Gross profit	**118,776**	**129,819**	**128,879**	**21,948**	**28,516**
Other operating income	7,418	8,350	7,158	2,598	2,741
Net allowances on financial assets	(508)	(683)	1,349	605	(140)
Distribution expenses	(37,412)	(39,732)	(38,338)	(10,461)	(9,471)
General administrative expenses	(22,342)	(27,520)	(28,795)	(6,916)	(7,186)
Other operating expenses	(5,721)	(9,811)	8,766	(3,988)	(4,663)
Operating profit	**60,213**	**60,423**	**61,488**	**3,785**	**9,798**
Interest expense	(400)	(828)	(1,422)	(338)	(12,384)
Other financial result	1,802	2,728	457	(38)	6,363
Financial result	**1,402**	**1,900**	**(965)**	**(376)**	**(6,021)**
Profit before taxes	**61,615**	**62,323**	**60,523**	**3,410**	**3,778**
Income tax expense	(19,105)	(18,152)	(23,985)	(1,016)	(1,154)
Profit after tax*	**42,510**	**44,171**	**36,538**	**2,394**	**2,624**

* Presented as profit after tax (share of RENK shareholders) in the audited consolidated financial statements of the former RENK AG as of and for the fiscal year ended December 31, 2019 (including

comparative financial information as of and for the fiscal year ended December 31, 2018) and in the unaudited condensed consolidated interim financial statements of the former RENK AG as of and for the three month period ended March 31, 2020.

Three Months Ended March 31, 2021 RENK Holding GmbH Group Compared to Three Months Ended March 31, 2020 former RENK AG Group

Sales revenue

Sales revenue increased by €13,679 thousand, or 12.1%, from €113,367 thousand for the former RENK AG Group in the three months ended March 31, 2020 to €127,045 thousand for the RENK Holding GmbH Group in the three months ended March 31, 2021. The increase was primarily attributable to an increase in sales revenue from Special Gear Units business unit, which was partially offset by a decrease in sales revenue from the Standard Gear Units business unit and the Slide Bearings business unit.

Vehicle Transmissions: Sales revenue with third parties generated by the Vehicle Transmissions business unit/ segment decreased only slightly by €413 thousand, or 0.8%, from €50,977 thousand for the former RENK AG Group in the three months ended March 31, 2020 to €50,564 thousand for the RENK Holding GmbH Group in the three months ended March 31, 2021. Lower sales revenue from the expiry of customer contracts during the period was broadly compensated by additional sales revenue generated from new customer contracts.

Special Gear Units: Sales revenue with third parties generated by the Special Gear Units business unit/ segment increased by €15,815 thousand, or 66.5%, from €23,775 thousand for the former RENK AG Group in the three months ended March 31, 2020 to €39,590 thousand for the RENK Holding GmbH Group in the three months ended March 31, 2021. The increase was primarily attributable to timing effects due to the accelerated completion of certain projects in the three months ended March 31, 2021.

*Standard Gear Un*its: Sales revenue with third parties generated by the Standard Gear Units business unit/ segment decreased by €1,634 thousand, or 10.5%, from €15,570 thousand for the former RENK AG Group in the three months ended March 31, 2020 to €13,936 thousand for the RENK Holding GmbH Group in the three months ended March 31, 2021. The decrease was attributable to timing effects from the recognition of sales revenue from certain large projects.

Slide Bearings: Sales revenue with third parties generated by the Slide Bearings business unit/segment decreased by €3,134 thousand, or 13.6%, from €23,045 thousand for the former RENK AG Group in the three months ended March 31, 2020 to €19,911 thousand for the RENK Holding GmbH Group in the three months ended March 31, 2021. The decrease was primarily attributable to lower sales of e-bearings.

Cost of sales

Cost of sales increased by €7,110 thousand, or 7.2%, from €91,419 thousand for the former RENK AG Group in the three months ended March 31, 2020 to €98.529 thousand for the RENK Holding GmbH Group in the three months ended March 31, 2021 primarily due to increased costs from the purchase price allocation on the level of RENK Holding GmbH following completion of the RENK Acquisition which were only partially offset by a more favorable product mix.

Other operating income

Other operating income increased by €143 thousand, or 5.5%, from €2,598 thousand for the former RENK AG Group in the three months ended March 31, 2020 to €2,741 thousand for the RENK Holding GmbH Group the three months ended March 31, 2021.

Distribution expenses

Distribution expenses decreased by €990 thousand, or 10.5%, from €10,461 thousand for the former RENK AG Group in the three months ended March 31, 2020 to €9,471 thousand for the RENK Holding GmbH Group in the three months ended March 31, 2021. The decrease was primarily attributable to lower costs due to cancelled trade fairs and lower travel expenses.

General administrative expenses

General administrative expenses decreased by €270 thousand, or 3.8%, from €6,916 thousand for the former RENK AG Group in the three months ended March 31, 2020 to €7,186 thousand for the RENK Holding GmbH Group in the three months ended March 31, 2021.

Other operating expenses

Other operating expenses increased by €675 thousand, or 16.9%, from €3,988 thousand for the former RENK AG Group in the three months ended March 31, 2020 to €4,663 thousand for the RENK Holding GmbH Group in the three months ended March 31, 2021. The increase was primarily attributable to transaction expenses in connection with the acquisition of the Target Business.

Interest expense

Interest expense increased by €12,046 thousand, from €338 thousand for the former RENK AG Group in the three months ended March 31, 2020 to €12,384 thousand for the RENK Holding GmbH Group in the three months ended March 31, 2021. The increase mainly reflected interest expense on the Original Notes issued in July 2020.

Other financial result

Other financial result increased by €6,401 thousand from an expense of €38 thousand for the former RENK AG Group in the three months ended March 31, 2020 to an income of €6,363 thousand for the RENK Holding GmbH Group in the three months ended March 31, 2021. The increase was primarily attributable to unrealized foreign exchange gains under a hedging agreement entered into in connection with the Acquisition.

Income tax expense

Income tax expense increased by €138 thousand, or 13.6%, from €1,016 thousand for the former RENK AG Group in the three months ended March 31, 2020 to €1,154 thousand for the RENK Holding GmbH Group in the three months ended March 31, 2021. The increase primarily reflects the higher profit before taxes resulting from the factors discussed above.

Profit after tax/Profit after tax (share of RENK shareholders)

Profit after tax increased by €230 thousand, or 9.6%, from a profit after tax (share of RENK shareholders) of €2,394 thousand for the former RENK AG Group in the three months ended March 31, 2020 to a profit after tax of €2,624 thousand for the RENK Holding GmbH Group in the three months ended March 31, 2021. The increase was the result of the factors described above.

Twelve Months Ended December 31, 2020 as if former RENK AG Group Compared to Fiscal Year Ended December 31, 2019 former RENK AG Group

Sales revenue

Sales revenue decreased by €8,402 thousand, or 1.5%, from €558,609 thousand for the former RENK AG Group in the fiscal year ended December 31, 2019 to *as if* €550,207 thousand for the former RENK AG Group in the twelve month period ended December 31, 2020. The decrease was primarily attributable to lower sales revenue in the Special Gear Units, Standard Gear Units and Slide Bearings business units, which was only partially offset by higher sales revenue from the Vehicle Transmissions business unit, including the consolidation of the operating business from Horstman from April 16, 2019.

Vehicle Transmissions: Total sales revenue (before elimination of sales revenue between business units) generated by the Vehicle Transmissions business unit/segment increased by €8,228 thousand, or 3.6%, from €230,008 thousand for the former RENK AG Group in the fiscal year ended December 31, 2019 to *as if* €238,236 thousand for the former RENK AG Group in the twelve month period ended December 31, 2020. Sales revenue increased as a result of high deliveries of new transmissions and strong activity in the after-sales business.

Special Gear Units: Total sales revenue (before elimination of sales revenue between business units) generated by the Special Gear Units business unit/segment decreased by €13,450 thousand, or 7.4%, from €181,428 thousand for the former RENK AG Group in the fiscal year ended December 31, 2019 to *as if* €167,978 thousand for the former RENK AG Group in the twelve month period ended December 31, 2020. Sales revenue was mainly generated from the sale of marine gear units under long-term procurement projects with the US Navy and the US Coastguard followed by sales revenue from the sale of stationary gear units. The decrease in sales revenue was primarily attributable to lower sales revenue from the after-sales business due to international travel restrictions as a result of the COVID-19 pandemic and the postponement of the delivery of two marine gear units.

Standard Gear Units: Total sales revenue (before elimination of sales revenue between business units) generated by the Standard Gear Units business unit/segment decreased by €3,515 thousand, or 4.8%, from €72,510 thousand for the former RENK AG Group in the fiscal year ended December 31, 2019 to *as if* €68,995 thousand for the former RENK AG Group in the twelve month period ended December 31, 2020. The decrease was primarily attributable to lower demand for stationary gear units and a decline in the after-sales business due to international travel restrictions as a result of the COVID-19 pandemic.

Slide Bearings: Total sales revenue (before elimination of sales revenue between business units) generated by the Slide Bearings business unit/segment decreased by €1,322 thousand, or 1.6%, from €84,790 thousand for the former RENK AG Group in the fiscal year ended December 31, 2019 to *as if* €83,468 thousand for the former RENK AG Group in the twelve month period ended December 31, 2020. The decrease was primarily attributable to lower sales of e-bearings.

Cost of sales

Cost of sales decreased by €7,362 thousand, or 1.7%, from €428,790 thousand for the former RENK AG Group in the fiscal year ended December 31, 2019 to *as if* €421,328 thousand for the former RENK AG Group in the twelve month period ended December 31, 2020. The decrease was primarily attributable to lower sales revenue in the twelve month period ended December 31, 2020 which was partially offset by a favorable change in product mix in the Vehicle Transmissions business unit.

Other operating income

Other operating income decreased by €1,192 thousand, or 14.3%, from €8,350 thousand for the former RENK AG Group in the fiscal year ended December 31, 2019 to *as if* €7,158 thousand for the former RENK AG Group in the twelve month period ended December 31, 2020. The decrease was primarily attributable to lower gains from the valuation of receivables in foreign currencies.

Distribution expenses

Distribution expenses decreased by €1,394 thousand, or 3.5%, from €39,732 thousand for the former RENK AG Group in the fiscal year ended December 31, 2019 to *as if* €38,338 thousand for the former RENK AG Group in the twelve month period ended December 31, 2020. The decrease was primarily attributable to lower costs due to cancelled trade fairs and lower travel expenses.

General administrative expenses

General administrative expenses increased by €1,275 thousand, or 4.6%, from €27,520 thousand for the former RENK AG Group in the fiscal year ended December 31, 2019 to *as if* €28,795 thousand for the former RENK AG Group in the twelve month period ended December 31, 2020. The increase was primarily attributable to higher personnel expenses and the full—year effect of the acquisition of the Horstman Group which was completed in April 2019.

Other operating expenses

Other operating expenses decreased by €1,045 thousand, or 10.7%, from €9,811 thousand for the former RENK AG Group in the fiscal year ended December 31, 2019 to *as if* €8,766 thousand for the former RENK AG Group in the twelve month period ended December 31, 2020. The increase was primarily attributable to valuation effects from the termination of foreign exchange hedging agreements in connection with the carve-out of the former RENK AG from MAN AG and the entry into new hedging agreements.

Interest expense

Interest expense increased by €594 thousand, or 71.7%, from €828 thousand for the former RENK AG Group in the fiscal year ended December 31, 2019 to *as if* €1,422 thousand for the former RENK AG Group in the twelve month period ended December 31, 2020. The increase was primarily attributable to a change in the accounting treatment of letter of guarantee facilities, which were previously included in other operating expenses. *As if* interest expense for the former RENK AG Group for the twelve month period ended December 31, 2020 does not include interest expenses on the Original Notes and the Super Senior Facilities Agreement because it presents the *as if* results of operations of the former RENK AG Group. Interest expense of the RENK Holding GmbH Group in the short fiscal year ended December 31, 2020 amounted to €13,368 thousand.

Other financial result

Other financial result decreased by €2,271 thousand from €2,728 thousand for the former RENK AG Group in the fiscal year ended December 31, 2019 to *as if* €457 thousand for the former RENK AG Group in the twelve month period ended December 31, 2020. The decrease was primarily attributable to changes in income from investments, which were positively affected by the recovery of the value of an investment in the twelve month period ended December 31, 2020.

Income tax expense

Income tax expense increased by €5,833 thousand, or 32.1%, from €18,152 thousand for the former RENK AG Group in the fiscal year ended December 31, 2019 to *as if* €23,985 thousand for the former RENK AG Group in the twelve month period ended December 31, 2020. The increase was primarily attributable to higher deferred taxes related to a re-evaluation of pension obligation in connection with the carve-out of the former RENK AG from MAN AG. This effect was only partially offset by lower current taxes as a result of the lower profit before taxes due to the factors described above.

Profit after tax/Profit after tax (share of RENK shareholders)

Profit after tax decreased by €7,633 thousand, or 17.3%, from a profit after tax (share of RENK shareholders) of €44,171 thousand for the former RENK AG Group in the fiscal year ended December 31, 2019 to profit after tax of *as if* €36,538 thousand for the former RENK AG Group in the twelve month period ended December 31, 2020. The increase was the result of the factors described above.

Fiscal Year Ended December 31, 2019 former RENK AG Group Compared to Fiscal Year Ended December 31, 2018 former RENK AG Group

Sales revenue

Sales revenue increased by €56,391 thousand, or 11.2%, from €502,218 thousand in the fiscal year ended December 31, 2018 to €558,609 thousand in the fiscal year ended December 31, 2019. The increase was primarily attributable to the significant increase in sales revenue in the Vehicle Transmissions segment, including the consolidation of the operating business from Horstman from April 16, 2019.

Vehicle Transmissions: Total sales revenue (before elimination of sales revenues between segments) generated by the Vehicle Transmissions segment increased by €52,620 thousand, or 29.6%, from €177,388 thousand in the fiscal year ended December 31, 2018 to €230,008 thousand in the fiscal year ended December 31, 2019. The increase was primarily attributable to the first-time consolidation of Horstman in 2019. Sales revenue further increased as a result of the delivery of new transmissions, in particular for the PUMA and AJAX programs, and an increase in after-sales, in particular with respect to the HSWL 354 gear model used in the Leopard 2 tank and HSWL 256 (PUMA/AJAX).

Special Gear Units: Total sales revenue (before elimination of sales revenues between segments) generated by the Special Gear Units segment increased by €10,589 thousand, or 6.2%, from €170,839 thousand in the fiscal year ended December 31, 2018 to €181,428 thousand in the fiscal year ended December 31, 2019. The increase was primarily attributable to the high Order Intake in the fiscal year ended December 31, 2018. Sales revenue for stationary gears business in Augsburg was in line with the previous year, with the considerable upturn in industrial gear units offsetting the significant decline in mill gears. The marine gear business in Augsburg saw a new sales revenue increase slightly year on year. In addition to deliveries for the long-term procurement projects from the US Navy and US Coast Guard, initial deliveries for a larger project with the Indian Navy had a particular impact. Gear sets for a number of individual or small series projects were also delivered, including a mega-yacht. RENK-MAAG again generated sales revenue with third parties in line with the previous year in the fiscal year ended December 31, 2019.

Standard Gear Units: Total sales revenue (before elimination of sales revenues between segments) generated by the Standard Gear Units segment decreased by €6,375 thousand, or 8.1%, from €78,885 thousand in the fiscal year ended December 31, 2018 to €72,510 thousand in the fiscal year ended December 31, 2019. The decrease was primarily attributable to the continued decline in wind turbines, which was only partly offset by an increase in couplings and marine gear units.

Slide Bearings: Total sales revenue (before elimination of sales revenues between segments) generated by the Slide Bearings segment decreased by €1,835 thousand, or 2.1%, from €86,625 thousand in the fiscal year ended December 31, 2018 to €84,790 thousand in the fiscal year ended December 31, 2019. The decrease was primarily attributable to declines in project business.

Cost of sales

Cost of sales increased by €45,348 thousand, or 11.8%, from €383,442 thousand in the fiscal year ended December 31, 2018 to €428,790 thousand in the fiscal year ended December 31, 2019. The increase was primarily attributable to higher sales revenue in the fiscal year ended December 31, 2019 and the first-time consolidation of Horstman in 2019.

Other operating income

Other operating income increased by €932 thousand, or 12.6%, from €7,418 thousand in the fiscal year ended December 31, 2018 to €8,350 thousand in the fiscal year ended December 31, 2019. The increase was primarily attributable to an increase in income from exchange rate changes and derivatives of €2,563 thousand, from €1,623 thousand in the fiscal year ended December 31, 2018 to €4,186 thousand in the fiscal year ended December 31, 2019 and income from costs charged on of €1,601 thousand in the fiscal year ended year ended December 31, 2019, which related to consulting services and internal costs related to the disposal of the equity investment in the former RENK AG by the Volkswagen Group (see also "— *Other operating expenses*"). This was partially offset by a decrease in income from reversal of provisions and prior-period income.

Distribution expenses

Distribution expenses increased by €2,320 thousand, or 6.2%, from €37,412 thousand in the fiscal year ended December 31, 2018 to €39,732 thousand in the fiscal year ended December 31, 2019. The increase was primarily attributable to higher staff costs and the consolidation of distribution expenses of Horstman.

General administrative expenses

General administrative expenses increased by €5,178 thousand, or 23.2%, from €22,342 thousand in the fiscal year ended December 31, 2018 to €27,520 thousand in the fiscal year ended December 31, 2019. The increase was primarily attributable to the consolidation of general administrative expenses of Horstman. Additional expenses occurred for building up own structures to replace central service functions previously rendered by the MAN Group. and the costs passed on by MAN SE for these services provided in 2019.

Other operating expenses

Other operating expenses increased by €4,090 thousand, or 71.5%, from €5,721 thousand in the fiscal year ended December 31, 2018 to €9,811 thousand in the fiscal year ended December 31, 2019. The increase was primarily attributable to higher expenses from exchange rate changes and derivatives as well as, to a lesser extent, the Horstman acquisition and the ancillary acquisition costs with it. It also includes the costs borne by the Target in the first phase of preparing to sell the equity investments in the former RENK AG by the Volkswagen Group; see also "— *Other operating income*."

Interest expense

Interest expense increased by €428 thousand, from €400 thousand in the fiscal year ended December 31, 2018 to €828 thousand in the fiscal year ended December 31, 2019. The increase was primarily attributable to an increase in interest cost on provisions and liabilities which include interest expenses from lease liabilities in the amount of €126 thousand. Those were recognized for the first time in the fiscal year ended December 31, 2019 due to the mandatory regulations under IFRS 16—Leases having been applied for the first time in the fiscal year ended December 31, 2019.

Other financial result

Other financial result increased by €926 thousand, or 51.4%, from €1,802 thousand in the fiscal year ended December 31, 2018 to €2,728 thousand in the fiscal year ended December 31, 2019. The increase was primarily attributable to income from reversals of impairment losses for two equity investments of €2,021 thousand in the fiscal year ended December 31, 2019 compared to no such income in the December 31, 2018. This was partially offset by a decrease in the income from dividends of €1,280 thousand, from €1,979 thousand in the fiscal year December 31, 2018 to €699 thousand in the fiscal year ended December 31, 2019.

Income tax expense

Income tax expense decreased by €953 thousand, or 5.0%, from €19,105 thousand in the fiscal year ended December 31, 2018 to €18,152 thousand in the fiscal year ended December 31, 2019. The decrease was primarily attributable to a lower tax rate of 29.1% in the fiscal year ended December 31, 2019 compared to a tax rate of 31.0% in the fiscal year ended December 31, 2018. The tax rate results from the respective income tax rates for the domestic and foreign subsidiaries and from prior-period and deferred taxes.

Profit after tax (share of RENK shareholders)

Profit after tax (share of RENK shareholders) increased by €1,661 thousand, or 3.9%, from €42,510 thousand in the fiscal year ended December 31, 2018 to €44,171 thousand in the fiscal year ended December 31, 2019. The increase was the result of the factors described above.

Liquidity and Capital Resources

Overview

The Group's principal sources of funds have been cash generated from the Group's operating activities, the proceeds from the issuance of the Original Notes and equity contributions from the Sponsor, cash equivalents and prepayments from customers. The Group's principal uses of cash are funding the daily business, working capital and capital expenditures and debt service. The Group expects to meet its requirements for the next twelve months primarily through cash flows from operating activities. In addition, the Group can request drawdowns under the Cash RCF Facility under the Super Senior Facilities Agreement. Although the Group believes that its expected cash flows from operating activities will be adequate to meet the Group's anticipated liquidity needs, there can be no assurance that the Group's business will generate sufficient cash flows from operating activities to meet these needs or that future debt financing will be available to the Group in an amount sufficient to enable it to fund the Group's liquidity needs. The Group's ability to arrange financing and its cost of capital depends on numerous factors, including general economic conditions, the availability of credit from banks, other financial institutions and the capital markets, restrictions on instruments governing the Group's debt and its general financial performance. See "*Risk Factors*."

Cash Flow

The following table shows the principal components of RENK Holding GmbH's and the former RENK AG's (or, with respect to the twelve month period ended December 31, 2020, *as if* former RENK AG's) consolidated statement of cash flows for the periods indicated:

	Fiscal year ended December 31,		Twelve months ended December 31,	Three months ended March 31,	
	2018	2019	2020	2020	2021
	former RENK AG Group		as if former RENK AG Group	former RENK AG Group	RENK Holding GmbH Group
	(€ thousands)				
	(audited)			(unaudited)	
Cash flows from operating activities	34,706	7,462	91,072	22,009	37,337
Cash flows from investing activities	(33,136)	(73,222)	(52,300)	(7,742)	(4,865)
Cash flows from financing activities	(14,960)	(17,968)	(15,513)	(285)	(66,666)
Change in cash and cash equivalents	(12,853)	(83,224)	22,216	14,305	(33,411)
Cash and cash equivalents at the end of the period	185,700	102,476	124,692	116,781	153,470

Cash flows from operating activities

Three Months Ended March 31, 2021 RENK Holding GmbH Group Compared to Three Months Ended March 31, 2020 former RENK AG Group

Cash flows from operating activities increased by €15,328 thousand, or 69.6%, from a cash inflow of €22,009 thousand for the former RENK AG Group in the three months ended March 31, 2020 to a cash inflow of €37,337 thousand for the RENK Holding GmbH Group in the three months ended March 31,

2021. The increase was primarily attributable to a decrease in change in inventories by €10,521 thousand resulting in a cash outflow of €22,634 thousand for the former RENK AG Group in the three months ended March 31, 2020 to a cash outflow of €12,113 thousand for the RENK Holding GmbH Group in the three months ended March 31, 2021 as a result of fewer payments for work in progress.

Twelve Months Ended December 31, 2020 as if former RENK AG Group Compared to Year Ended December 31, 2019 former RENK AG Group

Cash flows from operating activities increased by €83,610 thousand, from a cash inflow from operating activities of €7,462 thousand for the former RENK AG Group in the fiscal year ended December 31, 2019 to a cash inflow of *as if* €91,072 thousand for the former RENK AG Group in the twelve month period ended December 31, 2020. The increase was primarily driven by an increase of change in receivables and contract assets by €41,959 thousand resulting in a cash outflow of €28,581 thousand for the former RENK AG Group in the fiscal year ended December 31, 2019 to a cash inflow of *as if* €13,378 thousand for the former RENK AG Group in the twelve month period ended December 31, 2020 as a result of lower trade receivables.

Fiscal Year Ended December 31, 2019 former RENK AG Group Compared to Fiscal Year Ended December 31, 2018 former RENK AG Group

Cash flows from operating activities decreased by €27,244 thousand, or 78.5%, from a cash inflow of €34,706 thousand in the fiscal year ended December 31, 2018 to a cash inflow of €7,462 thousand in the fiscal year ended December 31, 2019. The decrease was primarily attributable to a strong rise in working capital commitments. The primary cause of this was the decline in existing prepayments received, related to sales revenue, and the relatively smaller inflow from new projects compared to 2018.

Cash flows from investing activities

Three Months Ended March 31, 2021 RENK Holding GmbH Group Compared to Three Months Ended March 31, 2020 former RENK AG Group

Cash flows from investing activities increased by €2,877 thousand from a cash outflow of €7,742 thousand for the former RENK AG Group in the three months ended March 31, 2020 to a cash outflow of €4,865 thousand for the RENK Holding GmbH Group in the three months ended March 31, 2021. The increase was primarily attributable to a change in payments to acquire property, plant and equipment and intangible assets by €2,325 thousand from €7,915 thousand for the former RENK AG Group in the three months ended March 31, 2020 to €5,590 thousand for the RENK Holding GmbH Group in the three months ended March 31, 2021.

Twelve Months Ended December 31, 2020 as if former RENK AG Group Compared to Year Ended December 31, 2019 former RENK AG Group

Cash flows from investing activities increased by €20,922 thousand, or 28.6%, from a cash outflow from investing activities of €73,222 thousand for the former RENK AG Group in the fiscal year ended December 31, 2019 to a cash outflow of *as if* €52,300 thousand for the former RENK AG Group in the twelve month period ended December 31, 2020. The increase was primarily attributable to the occurrence of the Horstman Acquisition in 2019 which resulted in a cash outflow in the amount of €40,125 thousand for the former RENK AG Group in the fiscal year ended December 31, 2019. *As if* cash flows from investing activities for the former RENK AG Group in the twelve month period ended December 31, 2020 does not include the consideration paid in connection with the Renk Acquisition because it presents the *as if* cash flows of the former RENK AG Group. Cash flows from investing activities of the RENK Holding GmbH Group in the short fiscal year ended December 31, 2020 amounted to a cash outflow of €536,918 thousand reflecting primarily the consideration paid in connection with the Renk Acquisition.

Fiscal Year Ended December 31, 2019 former RENK AG Group Compared to Fiscal Year Ended December 31, 2018 former RENK AG Group

Cash flows from investing activities decreased by €40,086 thousand, from a cash outflow of €33,136 thousand in the fiscal year ended December 31, 2018 to a cash outflow of €73,222 thousand in the fiscal year ended December 31, 2019. The decrease was primarily attributable to the acquisition of Horstman. Capital contributions in other and financial investments, acquisition of subsidiaries increased by €44,758 thousand, from an outflow of €1,669 thousand in the fiscal year ended December 31, 2018 to an outflow of €46,427 thousand in fiscal year ended December 31, 2019. This was partly offset by an inflow from first-time consolidation of €6,302 thousand in the fiscal year ended December 31, 2019.

Cash flows from financing activities

Three Months Ended March 31, 2021 RENK Holding GmbH Group Compared to Three Months Ended March 31, 2020 former RENK AG Group

Cash flows from financing activities decreased by €66,381 thousand, from a cash outflow of €285 thousand for the former RENK AG Group in the three months ended March 31, 2020 to a cash outflow of €66,666 thousand for the RENK Holding GmbH Group in the three months ended March 31, 2021. The decrease was primarily attributable to the interest payments in an amount of €9,302 thousand relating to the Original Notes and to the acquisition of non-controlling interests in the former RENK AG in connection with the Squeeze Out in an amount of €51,553 thousand for the RENK Holding GmbH Group in the three months ended March 31, 2021.

Twelve Months Ended December 31, 2020 as if former RENK AG Group Compared to Year Ended December 31, 2019 former RENK AG Group

Cash flows from financing activities increased by €2,455 thousand, or 13.7%, from a cash outflow from financing activities of €17,968 thousand for the former RENK AG Group in the fiscal year ended December 31, 2019 to a cash outflow of *as if* €15,513 thousand for the former RENK AG Group in the twelve month period ended December 31, 2020, which primarily related to the payment of dividends during the year. *As if* cash flows from financing activities for the former RENK AG Group for twelve months ended December 31, 2020 does not include the issuance of the Original Notes and the other financing transaction entered into in connection with the Original Transactions because it presents the *as if* cash flows of the former RENK AG Group. Cash flows from financing activities of the RENK Holding GmbH Group in the short fiscal year ended December 31, 2020 amounted to a cash inflow of €707,273 thousand reflecting the issuance of the Original Notes and the Sponsor's equity contribution in connection with the Renk Acquisition.

Fiscal Year Ended December 31, 2019 former RENK AG Group Compared to Fiscal Year Ended December 31, 2018 former RENK AG Group

Cash flows from financing activities decreased by €3,008 thousand, or 20.1%, from a cash outflow of €14,960 thousand in the fiscal year ended December 31, 2018 to a cash outflow of €17,968 thousand in the fiscal year ended December 31, 2019, which primarily related to the payment of dividends during the year. The increase was primarily attributable to the redemption of liabilities of €1,932 thousand from Horstman and the payment of lease liabilities in the amount of €1,076 thousand following the first time application of IFRS 16—Leases.

Net Working Capital

Net working capital for the former RENK AG Group and RENK Holding Group GmbH is calculated as inventories plus customer receivables (comprising trade receivables and contract assets) less trade payables and prepayments (received) (comprising contract liabilities, non-current and current, excluding liabilities from customer prepayment receivables). The table below sets forth certain line items from the former RENK AG's and RENK Holding GmbH's consolidated statement of financial position as of the reporting dates indicated:

	As of December 31,			As of March 31,
	2018	2019	2020	2021
	former RENK AG Group		RENK Holding GmbH Group	
	(€ thousand)			
	(audited, unless stated otherwise)			(unaudited)
Inventories	196,578	230,432	248,604	261,108
Customer receivables (unaudited)*	110,572	139,505	125,346	102,669
Trade payables	(39,407)	(41,235)	(49,383)	(52,057)
Prepayments (received) (unaudited)**	(148,156)	(148,400)	(178,840)	(182,128)
Net working capital (unaudited)	**119,587**	**180,302**	**145,727**	**129,592**

* Comprises trade receivables (€104,854 thousand, €135,197 thousand, €122,781 thousand and €98,971 thousand as of December 31, 2018, December 31, 2019, December 31, 2020 and March 31,

2021, respectively) and contract assets (€5,718 thousand, €4,308 thousand, €2,565 thousand and €3,698 thousand as of December 31, 2018, December 31, 2019, December 31, 2020 and March 31, 2021, respectively).

** Comprises contract liabilities, non-current and current (€162,385 thousand, €168,264 thousand, €184,924 thousand and €188,634 thousand as of December 31, 2018, December 31, 2019, December 31, 2020 and March 31, 2021, respectively) excluding liabilities from customer prepayment receivables (€14,229 thousand, €19,864 thousand, €6,084 thousand and €6,506 thousand as of December 31, 2018, December 31, 2019, December 31, 2020 and March 31, 2021, respectively).

Due to the Group's significant cash balances and the low interest rate environment, the Group has not historically prioritized the optimization of its net working capital. The Group's strategy around net working capital was historically centered around and impacted by the following areas:

- *Inventories*:
  - The strengthening of the Group's competitive position by enabling shorter delivery times (particularly in the Slide Bearings business unit) which led to increasing stock levels;
  - The realization of selective cost savings through bundling of order volumes (*i.e.*, significant inventory purchases at the beginning of projects vs. throughout projects); and
  - Conservatism in ensuring the Group's ability to produce at all times through high stock levels (particularly in the Vehicle Transmissions business unit).
- *Customer Receivables:*
  - The implementation of an effective receivables management system in recent years; and
  - Significant year-end effects in 2018 and 2019 due to a project-related revenue concentration in November and December.
- *Trade Payables:*
  - Establishing a clear goal to conduct early payments to realize cash discounts.
- *Prepayments (received)*
  - The development of prepayments is project driven and mainly in the defense business; and
  - Unusually high prepayments realized in the Vehicle Transmissions business unit for one large project in recent past.

Following its acquisition by the Sponsor, the Group, with the support of an external advisor, has identified several net working capital initiatives aimed at decreasing the Group's working capital needs. The Group estimates that certain measures, including those detailed above, if fully implemented, have the potential to result in a double-digit million reduction of its net working capital requirements. The Group started to implement the first measures in its Augsburg facility in 2020 and believes that they have contributed to the reduction in net working capital as of December 30, 2020 and March 31, 2021. The Group plans to roll-out these measures at other facilities going forward.

Net working capital as of March 31, 2021 amounted to €129,592 thousand compared to €145,727 thousand as of December 31, 2020. The decrease was primarily driven by a decrease in customer receivables of €22,677 thousand from €125,346 thousand as of December 31, 2020 to €102,669 thousand as of March 31, 2021 as a result of lower customer receivables, particularly in the Vehicle Transmissions and Special Gear Units business units partially due to improved working capital management and an increase in prepayments (received) due to strong Order Intake in the Vehicle Transmissions business unit with favorable contract terms. These effects were only partially offset by higher inventories in the Special Gear Units business unit due to the postponement of some projects.

Net working capital as of December 31, 2020 amounted to €145,727 thousand compared to €180,302 thousand as of December 31, 2019. The decrease was driven by lower customer receivables partially due to improved working capital management, in particular in the Special Gear Units business unit and an increase in prepayments (received) due to strong order intake for marine gear units with favorable payment terms, which was only partially offset by higher inventories in the Special Gear Units business unit due to project postponements.

Net working capital as of December 31, 2019 amounted to €180,302 thousand compared to €119,587 thousand as of December 31, 2018. The increase was primarily due to the consolidation of Horstman as well as increases in inventories and customer receivables. The increase in inventories was largely driven by project-related increases for Naval and stationary applications in the Special Gears unit and related to a bundling approach for selected cost savings and safeguarding delivery times. The increase in customer receivables was mainly due to a year-end effect where customer payments were only received in the beginning of 2020.

Capital Expenditures

The Group's capital expenditures primarily relate to investments in the Group's production facilities and office buildings as well as the acquisition of new machinery and manufacturing equipment. Capital expenditures are defined as payments to acquire property, plant and equipment and intangible assets as shown in the consolidated statement of cash flows.

The Group distinguishes between maintenance capital expenditures and growth capital expenditures. Growth capital expenditures are defined as capital expenditures for specifically dedicated growth or expansion projects, while maintenance capital expenditures are defined as the aggregate amount of capital expenditures minus growth capital expenditures.

For the three months ended March 31, 2021, capital expenditures (comprising payments to acquire property, plant and equipment and intangible assets) amounted to €5,590 thousand and related mainly to continuing investments at the Augsburg site. The Group continued to invest to expand capacity of the Vehicle Transmissions business in Augsburg, which is expected to be completed in 2021.

For the twelve month period ended December 31, 2020, capital expenditures amounted to *as if* €38,491 thousand for the former RENK AG Group and mainly related to investments at the Augsburg site. Further investments were made in machinery and test rigs for the Vehicle Transmissions business unit. Investments in the Special Gear Units business unit related to new production equipment. In the Slide Bearings business unit in Hanover, investment activities focused on new coating equipment. In the Standard Gear Units business unit in Rheine, capital expenditures related primarily to milling and turning equipment and completion of the new customer center featuring modern meeting and seminar rooms. The Group's French subsidiary focused its capital expenditures on testing facilities, whereas RENK-MAAG and the Horstman Group primarily invested in the refurbishment of mechanical production equipment.

For the fiscal year ended December 31, 2019, capital expenditures amounted to €33,331 thousand for the former RENK AG Group and mainly related to continuing investments at the Augsburg site, the construction of a new logistics center in Oberottmarshausen and construction work for a new production hall, as well as continuing investments in the project to expand capacity of the Vehicle Transmissions business, which is expected to be completed in 2021. Investments were also made in machinery and existing test rigs. Special Gear Units business focused on the renewal of gear grinding technology and the optimization of test rig equipment. In the Slide Bearings business in Hanover, investing activities centered around new coating equipment. In the Standard Gear Units business in Rheine, capital expenditures related primarily to milling and turning centers. Another area of focus was on the construction of a customer center in Rheine. After completing the extensive modernization work at the French subsidiary, the focus in the fiscal year turned to investment for refurbishing the testing facilities.

For the fiscal year ended December 31, 2018, capital expenditures amounted to €35,361 thousand for the former RENK AG Group and mainly related to continuing investments at the Augsburg site and the construction of a new logistics center in Oberottmarshausen. Activities in the Special Gear Units focused on continuing the restructuring and renewal of gear grinding technology and the optimization of assembly processes. Vehicle Transmissions also focused on the reorganization and optimization of assembly processes, and on redesigning and expanding parts of mechanical production, including in particular housing processing facilities. In Rheine, at the Standard Gear Units site, capital expenditures focused on the renewal and optimization of the mechanical production machinery. At the Hanover Slide Bearings site, the focus was still on optimizing surface coating facilities. RENK France completed its extensive, long-term modernization and renovation of the building infrastructure for production, technology, administration and distribution. Work also began to replace the testing facilities.

Cash Pooling and Cash Management

Prior to March 31, 2020, cash for the operating units of the former RENK AG Group was essentially managed centrally as part of the MAN Group's cash pooling arrangement. The cash and cash equivalents of the former RENK Group AG Group companies and MAN SE were merged daily. Thus, liquidity surpluses and requirements were managed as necessary. For additional information, see Note 34(d) of the former RENK AG's audited consolidated financial statements as of and for the fiscal year ended December 31, 2019. Since March 31, 2020, the Group is no longer part of the cash pooling arrangements of the MAN Group. Currently, the Issuer centrally controls the Group's liquidity position and manages the cash pooling within the Group. The Issuer has implemented its own treasury management system and payment system including implementing cash pooling for larger members of the Group in Europe and daily monitoring of cash flows and liquidity within all countries which the Group operates in. The Issuer intends to further expand the cash management and cash pooling to include also the other subsidiaries and other currencies.

Contractual Obligations and Commitments of RENK Holding GmbH

Other financial obligations of the RENK Holding GmbH Group as of December 31, 2020 amounted to €271 thousand. These financial obligations result from current rental agreements and leases that are not capitalized on account of the exemption under IFRS 16 and represent future rental and lease payments until the end of their contractual minimum term and comprised. These rental agreements primarily relate to renting work clothes and office printers.

Maturity of Liabilities of RENK Holding GmbH

The following table shows RENK Holding GmbH Group's future cash outflows for liabilities, derivative financial instruments and contingent liabilities as of December 31, 2020[(1)]:

	2021	2022 to 2025	>2025
	RENK Holding GmbH Group (€ thousand) (audited)		
Cash outflows from primary financial liabilities	218,573	397,735	104,132
of which from bonds	18,502	393,600	—
of which from loan liabilities	96,332	73	103,793
of which trade payables	49,383	—	—
of which other financial liabilities	52,922	7	—
of which from lease liabilities	1,435	4,055	339
Cash outflows from liability derivative financial instruments and gross fulfilment[(2)]	(7,147)	(580)	(8,375)
Associated cash inflows	7,007	518	8,075
Potential cash outflows from contingent liabilities	1,432	—	—
of which for repayment obligations	1,432	—	—

(1) The procedure for calculating the amounts is as follows:

— If the maturity date is not fixed, the liability is assigned to the earliest maturity date.

— Interest payments for floating rate interest are taken into account in line with the conditions as of the end of the reporting period.

— It is assumed that the cash outflows will not occur earlier than shown.

(2) In accordance with the requirements of IFRS 7, only undiscounted cash flows of the contractual interest and principal payments are shown.

Contingent Liabilities of RENK Holding GmbH

As of December 31, 2020, the RENK Holding GmbH Group had the following contingent liabilities:

	As of December 31, 2020
	RENK Holding GmbH Group (€ thousand) (audited)
Obligations from guarantees	329
Other contingent liabilities	1,104
Total	**1,432**

The obligations under guarantees relate to guarantees under trade obligations of equity investments. Other contingent liabilities relate to contractual penalties. Contingent liabilities are usually measured in the amount of the maximum claims on the Group. Any rights of recourse are not deducted.

Pension Obligations of RENK Holding GmbH

The Group has defined benefit pension plans in Germany, defined contribution pension plans in Switzerland and pays obligatory post-employment benefits in France. The Group provides domestic employees with benefits under an occupational pension system. Under the current pension plans, the active employees receive employer contributions linked to their remuneration and, in addition, also have the option of personal provision through deferred compensation (paid for by the employer for employees subject to collective bargaining agreements). In Switzerland, the defined benefit pension claims and the actuarial reserves are managed in industry-wide company pension institutions. Employees accrue pension capital with these institutions, which is then converted into a lifelong pension under the conditions prevailing at the time.

As of December 31, 2020, RENK Holding GmbH Group's defined benefit obligations amounted to €195,965 thousand and plan assets amounted to €179,942 thousand. As of December 31, 2020, RENK Holding GmbH Group's provisions for pension obligations amounted to €16,023 thousand.

Off-Balance Sheet Arrangements of RENK Holding GmbH

As of March 31, 2021, the RENK Holding GmbH Group had no off-balance sheet arrangements.

Accounting Standards Adopted from the fiscal year ended December 31, 2019

The Group applied IFRS 16 as of January 1, 2019 for the first time in its consolidated financial statements as of and for the fiscal year ended December 31, 2019. IFRS 16 amended the provisions for accounting for leases and superseded the previous Standard IAS 17 and its associated interpretations.

The central objective of IFRS 16 is the recognition of all leases in the statement of financial position. Accordingly, lessees will no longer distinguish between finance and operating leases. Instead, they must recognize a right-of-use asset and a lease liability for all leases in their statement of financial position. In the Group, the lease liability is measured using the outstanding lease payments discounted at the incremental borrowing rate, while the right-of-use asset is measured at the moment of the lease liability. Here, the option is exercised to exclude initial direct costs at the date of initial application. During the term of the lease, the right-of-use asset must be amortized and the lease liability must be carried forward using the effective interest method and taking lease payments into account. IFRS 16 allows practical expedients used by the Group for short-term and low-value leases, and therefore right-of-use assets and lease liabilities are not recognized for such leases. These lease payments continue to be recognized as expenses in the income statement. At the time of adoption, leases ending before January 1, 2020 were classified as current leases regardless of when they began.

As of January 1, 2019, the Group accounted for leases using the modified retrospective transition method in accordance with IFRS 16 for the first time in its consolidated financial statements as of and for the fiscal year ended December 31, 2019. The prior-year comparison figures for 2018 were not adjusted in its consolidated financial statements as of and for the fiscal year ended December 31, 2019. Under this method, the lease liability must be recognized at the present value of the outstanding lease payments as of the transition date. The present value is calculated based on incremental borrowing rates as of January 1, 2019. The weighted average interest rate for this in the Group was 2.1%. The leases essentially include office and warehouse space and vehicles. The normal lease term is between one and five years.

By way of simplification, the right-of-use assets are recognized at the amount of the respective lease liability adjusted for any prepaid or accrued lease payments. Right-of-use assets were not tested for impairment as of the adoption date as there was no evidence of impairment on operating leases as of December 31, 2018. The right-of-use assets shown in the statement of financial position are reported in those statement of financial position items in which the assets to which the lease relates would have been reported if the Group had owned them. The right-of-use assets are therefore reported under non-current assets in property, plant and equipment as of the end of the reporting period.

The first-time recognition of right-of-use assets and lease liabilities gave rise to the following effects as of January 1, 2019:

- Right-of-use assets of €5,182 thousand were recognized under property, plant and equipment in the opening statement of financial position.

- Lease liabilities of €5,182 thousand were reported under current and non-current financial liabilities.
- Adoption had no effect on equity.

The difference between expected payments for operating leases of €4,907 thousand discounted using the incremental borrowing rate as of December 31, 2018 and the lease liabilities of €5,182 thousand recognized in the opening statement of financial position essentially results from the reassessment of lease terms in accordance with IFRS 16. Reasonably certain extension or termination options were taken into account in determining the lease payments to be capitalized. In addition, lease payments for low-value and short-term leases are not included in lease liabilities in the opening statement of financial position.

Unlike under the previous approach, where expenses for operating leases were shown in full in operating profit, under IFRS 16 only the amortization of rights of use is shown in operating profit. Interest expenses on lease liabilities are reported in the financial result. This improved the operating profit by €179 thousand in the fiscal year ended December 31, 2019.

The change in the recognition of operating lease expenses in the statement of cash flows resulted in an improvement in cash flow from operating activities of €1,076 thousand as of December 31, 2019. Cash outflows from financing activities increased accordingly. The increase in financial liabilities resulting from the change in accounting policies had a negative impact of €6,345 thousand on the former RENK AG Group's net liquidity as of December 31, 2019.

For further details on the impact on specific financial statement line items please refer to Note 3 and 5 within the consolidated financial statements of the former RENK AG as of and for the fiscal year ended December 31, 2019.

Quantitative and Qualitative Disclosures About Market Risk

In the ordinary course of business, the Group is exposed to a variety of markets risks; including interest rate risk, credit risk and liquidity risk. The Group monitors and manages these risks as part of its overall risk management. The following section briefly describes the significant financial risks to which the Group is exposed. This description does not address other risks to which the Group is exposed in the ordinary course of business, such as operational risks. See "*Risk Factors*."

Currency Risk

For each Group company there is a currency risk if it performs transactions and incurs future cash flows in a currency other than its functional currency. To reduce the effect of exchange rate fluctuations, the Group continuously quantifies the exchange risk and hedges material risks by using currency forwards and options.

In the Group, all firm customer contracts, its own orders, receivables and liabilities in foreign currency are hedged. Currencies with a high correlation to the euro, such as the Danish krone, and equity investments or equity-type loans in foreign currencies, if at all relevant, are only hedged in individual cases. In addition, there is hedging for planned sales revenue in foreign currency from series production business within defined hedging ranges and, occasionally, for customer projects whose materialization is highly probable. The managing directors are regularly informed of the currency positions of the Group.

As of the end of 2020, foreign exchange exposure was primarily from transactions in USD, CHF, JPY, CNY and GBP. Taking into account the currency forwards and options in place for these currencies, the Group was not exposed to any significant transactional currency risks.

For additional information, see Note 29(b) of the consolidated financial statements of RENK Holding GmbH as of and for the short fiscal year ended December 31, 2020.

Commodity Price Risk

The Group is exposed to the risk of changes in commodity prices (such as raw materials, forgings and castings) and their availability, *i.e.*, commodity procurement risk, both in connection with the procurement of the means of production but also in the procurement of energy (electricity, gas, oil, etc.).

The Group seeks to mitigate this risk by utilizing fixed price agreements with suppliers, to the extent possible. Owing to the variety of commodities used and the resulting quantities, each comparatively small, the hedging of prices using corresponding instruments on the financial markets is not a substantial alternative for the Group. The Group had no commodity derivatives in the short fiscal year ended December 31, 2020.

There were no significant risk clusters (*i.e.*, significant purchase obligations not connected to customer orders) in the short fiscal year ended December 31, 2020.

Credit Risk

On account of its operating activities, the Group is exposed to credit risk, *i.e.*, the risk that a counterparty does not meet its contractual obligations and thus causes a financial loss. Credit risks include direct counterparty risk and the risk of a deterioration in credit quality.

The maximum credit risk is reflected by the carrying amounts of financial assets reported in the statement of financial position. Credit risks are minimized, and risk provisions calculated, mainly with the following measures:

Sovereign and counterparty risks arising from business operations are continuously assessed locally. Security levels and forms are determined based on this. Outstanding debts are also continuously monitored locally. If default risks arise, allowances are recognized. Credit risk is limited by various, sometimes country-specific, forms of security. Letters of credit, credit insurance, guarantees, warranties, retention of title and customer prepayments are used. In project business, the risk of default is minimized by prepayments and by obtaining collateral.

The Group recognizes loss allowances for expected credit losses in connection with its business operations. The Group also performs an ongoing assessment of all financial assets measured at amortized cost. Allowances on trade receivables and contract assets are calculated using a provision matrix with provision rates graded according to the aging analysis of receivables. Specific valuation allowances are recognized if there is objective evidence of credit losses or other contractual anomalies. Other financial receivables and cash and cash equivalents are checked for cash shortfalls using a general three-stage approach.

There were no significant clusters in terms of credit risk in the Group in the short fiscal year ended December 31, 2020. For additional information, see Note 29(d) of RENK Holding GmbH’s consolidated financial statements as of and for the short fiscal year ended December 31, 2020.

Liquidity Risk

Liquidity risk describes the risk that the Group is unable to adequately meet its payment obligations or can raise liquidity only at a higher price.

Cash for the operating units is essentially managed centrally as part of cash pooling. Cash and cash equivalents of the Group companies are combined on a daily basis. Thus, liquidity surpluses and requirements can be managed as necessary. For external financing, the opportunities on the financial markets are tracked continuously to ensure financial flexibility and to limit refinancing risks.

In the context of a syndicated loan agreement, the Group agreed with banks cash credit lines for €50,000 thousand at normal market conditions with a term to January 13, 2025 and an extension option. As of December 31, 2020, the cash credit line was undrawn.

In addition, in the framework of a syndicated loan agreement, the Group has a guarantee credit line of €175,000 thousand, €120,889 thousand of which was utilized as of December 31, 2020. There are also additional guarantee credit lines on a bilateral basis of €23,988 thousand, €21,981 thousand of which were utilized as of December 31, 2020. Cash collateral of €11,257 thousand was provided for the bilateral guarantee credit lines as of December 31, 2020.

To partially finance the acquisition of the shares in the former RENK AG, the Issuer issued a €320 million aggregate principal amount of senior secured notes in July 2020 with a term of five years and with an interest coupon of 5.75 % p.a. In addition, a long-term loan of €80 million with a term of more than five years and two short-term loans totalling €96 million were taken out from Rebecca BidCo SARL. The interest rates for the loans range between 0 % and 6 %.

For additional information see Note 29(e) of RENK Holding GmbH’s consolidated financial statements as of and for the short fiscal year ended December 31, 2020.

Critical Accounting Policies

When preparing consolidated financial statements, to a certain extent assumptions and estimates are made that affect the amount and reporting of the recognized assets and liabilities, income and expenses and information on contingent assets and liabilities in the reporting period. The estimates were made on the basis of past experience and other relevant factors, including the assumption of going concern. All estimates and assumptions are made to the best of knowledge and belief to provide a true and fair view of the net assets, financial position and results of operations of the Group. Any uncertainty is adequately reflected in valuations, although future events can still differ from these estimates and have a material effect on the net assets, financial position and results of operations of the Group. Estimates and judgments are reviewed on an ongoing basis.

The assumptions made regarding the following matters as of the end of the reporting period are of particular significance:

If intangible assets, property, plant and equipment, right-of-use assets, other equity investments and financial investments, other receivables or goodwill are tested for impairment, this requires a forecast of future cash flows for the calculation of the recoverable amount and their discounting, among other things. Such cash flows are based on forecasts that are in turn based on the business and financial planning approved by the management. Other material assumptions relate to the weighted average cost of capital and tax rates.

Estimates of the useful life of depreciable assets are based on past experience. If, in the context of the review of useful life, a change is made in estimates, the remaining useful life is adjusted and any impairment loss is recognized.

Recognizing the leases in the form of a right-of-use asset and a lease liability requires estimates on the lease term of the relevant lease components. It must be assessed whether it is reasonably certain that the contractually agreed extension, termination and call options will be exercised. The estimate for the initial recognition of the lease components determines the amount of the lease liability and thus the right-of-use asset. Changes to the estimate in subsequent periods result in a change to the residual values of statement of financial position items related to leases.

When control of an asset is transferred to the customer, the entity satisfies its performance obligation and the corresponding sales revenue can be recognized. The asset comprises contractually agreed goods and services. At contract inception it is determined whether the performance obligation is satisfied over time. If the requirements for this are not met, the performance obligation is satisfied at a point in time. Assurance-type warranties must be taken into account in performance obligations. Performance obligations are recognized over time in the following cases:

- The services rendered that benefit the customer are consumed by the customer at the same time that the services are rendered.
- The assets created or processed are controlled by the customer during performance by the entity.
- The assets created have no alternative use for the entity and the entity has an enforceable right to payment by the customer for the performance completed to date.

Individual performance obligations are accounted for over time using the percentage of completion method. Sales revenue is accounted for using the percentage of completion method. This method places considerable importance on accurate estimates of the percentage of completion. Depending on which method is used to determine the percentage of completion, significant estimates include contract revenue, total contract costs, the remaining costs to completion, contract risks and other assessments. The management of the operating units is continuously reviewing the estimates for such performance obligations and adjusts them as necessary.

Estimates, especially for variable remuneration components, are required to calculate the transaction price as the expected consideration in exchange for the transfer of goods and services. The variability relates to the claim actually arising and to the amount of the claim. The single most likely amount in a range of possible contractual consideration amounts is selected as the most likely amount. In addition, some or all of the variable consideration component is only included in the transaction price to the extent that it is highly probable that a significant reversal of the revenue recognized will not occur. This assessment of probabilities and the restriction of variable remuneration components is based on management estimates.

Determining impairment of financial assets requires estimates of the level and probability of occurrence of future events. As far as possible, estimates are derived from past experience.

Pensions and similar obligations are measured using actuarial methods. These are mainly based on assumptions relating to discount rates, salary and pension trends and mortality. These actuarial assumptions can differ significantly from actual developments due to changes in market and economic conditions and therefore lead to a substantial change in pensions and similar obligations.

As the Group operates in several countries, it is subject to different tax laws. The expected current income taxes and the deferred tax assets and liabilities must be calculated for each taxable entity. This requires, among other things, assumptions about the interpretation of complex tax regulations and the ability to generate sufficient taxable income within the respective tax type and jurisdiction. If these assumptions differ from the actual outcome of such tax uncertainties, this can affect tax expenses and deferred taxes. The best estimate of the expected tax payment is used for recognized uncertain income tax positions.

Depending on the matter at hand, the measurement of other provisions and similar obligations is complex at times and entails estimates to a considerable extent. The assumptions made by management with respect to the timing and amount of utilization are based, among other things, on historical data, available technical data, estimates of cost trends and potential warranty claims, discount rates and possible recoverable amounts. Litigation and other legal proceedings simultaneously give rise to complex legal issues and are subject to many difficulties and uncertainties. A provision is recognized for this if it is likely that, in connection with these proceedings, a liability has been incurred that will probably lead to an outflow of resources and its amount can be reliably estimated. Assessing whether a present obligation as of the end of the reporting period is as a result of a past event, whether a future outflow is likely and whether the obligation can be estimated reliably requires considerable judgment and significant estimates by management. Future events and developments as well as changes in estimates and assumptions can lead to an amended assessment at a future date. Additional expenses that can have a material effect on the net assets, financial position and results of operations of the Group thus cannot be completely ruled out. Changes in contractual or actual circumstances are monitored and assessed as regards the potential impact on the amount and reporting of the recognized assets and liabilities, income and expenses and information on contingent assets and liabilities in the reporting period. Developments in these general conditions that deviate from assumptions and are beyond management control can cause amounts to differ from the original estimates.

With the approval of the extraordinary stockholders' meeting for the squeeze-out under merger law and the filing of the merger in the commercial register on December 22, 2020, the conditions were met for accounting the merger of the former RENK AG, Augsburg, and the former Rebecca BidCo AG, Munich, and the squeeze-out. As a result, as of this date, a financial liability to the minority stockholders in the amount stipulated in the squeeze-out opinion were recognized instead of the minority interest. The amount currently recognized represents the best estimate as of December 31, 2020.

The financial liability recognized may still change as a result of the court proceedings. The merger of former RENK AG into former Rebecca BidCo AG triggers real estate transfer tax for the formers RENK AG's real property. Due to the registration in the commercial register in the fiscal year ended December 31, 2020, real estate transfer tax had to be expensed in this reporting period.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE TARGET BUSINESS

The following is a discussion of the results of operations and financial condition of the Target Business as of and for the fiscal years ended January 3, 2020 and January 1, 2021 and the fiscal quarters ended April 3, 2020 and April 2, 2021.

*The combined financial statements, including the notes thereto, of the Target Business as of and for the fiscal years ended January 1, 2021 and January 3, 2020 as well as the combined financial statements as of and for the fiscal quarter ended April 2, 2021 and the fiscal quarter ended April 3, 2020 included in this offering memorandum have been prepared in accordance with generally accepted accounting principles in the United States ("**US GAAP**"). The combined financial statements of the Target Business as of and for the fiscal years ended January 1, 2021 and January 3, 2020 have been audited by Ernst & Young LLP. The combined financial statements of the Target Business reflect the combat propulsion systems business of L3Harris Technologies, Inc, including L3 Magnet Motor GmbH, and have been prepared by aggregating the financial information for the combat propulsion systems business, comprising the assets, revenues and expenses that management has determined are specifically attributable to the Target Business. These businesses do not constitute a separate legal entity or group.*

The combined financial statements do not necessarily reflect the financial position, results of operations or cash flows of the Target Business if it had been a separate entity, or the future results of the Target Business as it will exist upon its acquisition by the Group. See "Risk Factors—Risks Related to the Acquisition—The combined financial statements of the Target Business may not be representative of its future results."

For a complete description of the accounting principles followed in preparing the combined financial statements of the Target Business, please see note 1 "Basis of presentation and significant accounting policies" to the combined financial statements of the Target Business as of and for the fiscal years ended January 1, 2021 and January 3, 2020 included elsewhere in this offering memorandum.

Overview

The Target Business is a leading supplier of transmission, engines and hybrid drive systems, particularly for the US armored vehicles market. The Target Business's products are almost exclusively used in the defense end-market. Further, the Target Business benefits from high revenue visibility through several long-term, sole-source agreements for key US Army platforms as well as a large installed base of approximately 17,500 vehicles globally, which provides the potential for aftermarket sales. L3 Magnet Motor GmbH is focusing on the development, design and manufacturing of high-performance electric power supplies and hybrid drive systems for military use. In the fiscal year ended January 1, 2021, the Target Business generated revenue from product sales and services of $236,433 thousand and an Adjusted EBITDA of $66,607 thousand.

The vehicle transmissions business represented approximately 73% of the Target Business's revenue from product sales and services in the fiscal year ended January 1, 2021. Approximately 89% thereof related to new system sales whereas the remainder related to aftermarket sales and services. Key platforms in the transmissions business include the Bradley Fighting Vehicle (customer: US Army), a tracked fighting vehicle platform, the Armored Multi-Purpose Vehicle (customers: US Army and BAE Systems), an armored personnel carrier and the Paladin Integrated Management (PIM) program (customer: US Army), a self-propelled howitzer upgrade program.

The engines business represented approximately 22% of the Target Business's revenue from product sales and services in the fiscal year ended January 1, 2021. Approximately 47% thereof related to new system sales whereas the remainder related to aftermarket sales and services. Key platforms in the engines business include the M88A2 (customer: US Army), an armored recovery vehicle, the NAMER (customer: Israel Ministry of Defense), an armored personnel carrier, an armored personnel carrier and the Merkava I and II (customer: Israel Ministry of Defense), a main battle tank.

The hybrid drive systems business represented approximately 5% of the Target Business's revenue from product sales and services in the fiscal year ended January 1, 2021. Approximately 95% thereof related to new system sales whereas the remainder related to aftermarket sales and services. It mainly engages in engineering of hybrid solutions for land vehicles and marine vessels. It also has one production order for the Hawkei (customer: Thales), a light, wheeled protected vehicle.

The Target Business has long-term relationships with many of its key customers, such as the US Army, the Israel Ministry of Defense, BAE and Thales. It is particularly focused on the US market, where the Group has a limited presence prior to the consummation of the Acquisition.

The Target Business's headquarter is located in Muskegon, Michigan, where it operates a 930,000 square feet. vertically integrated production facility as well as two test tracks. The Muskegon site is focused on the development and production of transmissions and engines for armored vehicles. In addition, the Target Business maintains a research, production and test facility in Starnberg, Germany, where it focuses on hybrid drive systems for armored vehicles and navy vessels. In the fiscal year ended January 1, 2021, the Target Business generated approximately 80% of its revenue from new vehicles and approximately 20% of its revenue from existing vehicles.

As of December 31, 2020, the Target Business had approximately 400 employees, of which approximately 360 were located in the United States and approximately 40 were located in Germany.

Explanation of Key Line Items

Revenue from product sales and services. The Target Business derives a substantial majority of its revenue from long-term development and production contracts involving the design, development, manufacture or modification of engines and/or transmissions for military combat vehicles and spare parts according to customer's specifications. A portion of the Target Business's revenue is also derived from the provision of technical support services. For a summary of the Target Business's revenue recognition policies, please see note 1 to the Target Business's audited combined financial statements as of and for the fiscal years ended January 1, 2021 and January 3, 2020 included elsewhere in this offering memorandum.

Cost of product sales and services. Cost of product sales and services consist of direct contract material, direct production and support labor, and associated overheads.

Engineering, selling and administrative expenses. Engineering, selling and administrative expenses consist of material, labor and associated overheads of Independent Research & Development, Bid & Proposals, and the departments of General Management, Human Resources, Information Technology, Contracts and Finance. Selling, general and administrative expenses also includes the cost of Corporate Allocations.

Non-operating income. Non-operating income consists primarily of pension income .

Income taxes. Income taxes consist of current taxes and deferred taxes.

Results Operations

The following table sets forth the combined statement of income of the Target Business the periods presented:

	Fiscal year ended		**Fiscal quarter ended**	
	January 3, 2020	**January 1, 2021**	**April 3, 2020**	**April 2, 2021**
	($ thousand)			
	(audited)		**(unaudited)**	
Revenue from product sales and services	182,716	236,433	53,359	71,369
Cost of product sales and services	111,454	146,433	31,753	42,972
Engineering, selling and administrative expenses	26,059	31,375	7,124	7,203
Non-operating income	1,794	4,252	1,070	1,235
Income before income taxes	**46,997**	**62,877**	**15,552**	**22,429**
Income taxes	10,248	16,218	3,624	5,422
Net income	**36,749**	**46,659**	**11,928**	**17,007**

Fiscal quarter ended April 2, 2021 compared to fiscal quarter ended April 3, 2020

Revenue from product sales and services

Revenue from product sales and services increased by $18,010 thousand, or 33.8%, from 53,359 thousand for the fiscal quarter ended April 3, 2020 to $71,369 thousand for the fiscal quarter ended April 2, 2021. The increase was primarily attributable to increased transmission revenue in particular from the THOR III contract relating to transmission, ancillary hardware and technical support for various US Army platforms such as the Bradley Fighting Vehicle, Multiple Launch Rocket System and the Paladin Integrated Management vehicle platform, which was awarded in 2020 as well as initial production tranches for the Armored Multi-Purpose Vehicle ("**AMPV**").

Cost of product sales and services

Cost of product sales and services increased by $11,219 thousand, or 35.3%, from $31,753 thousand for the fiscal quarter ended April 3, 2020 to $42,972 thousand for the fiscal quarter ended April 2, 2021. The increase was primarily attributable to increased transmission production under the THOR III and AMPV contracts.

Engineering, selling and administrative expenses

Engineering, selling and administrative expenses increased by $79 thousand, or 1.1%, from $7,124 thousand for the fiscal quarter ended April 3, 2020 to $7,203 thousand for the fiscal quarter ended April 2, 2021 due to higher corporate and IT costs.

Non-operating income

Non-operating income increased by $165 thousand, or 15.4%, from $1,070 thousand for the fiscal quarter ended April 3, 2020 to $1,235 thousand for the fiscal quarter ended April 2, 2021 mainly driven by higher pension income.

Income taxes

Income taxes increased by $1,798 thousand, or 49.6%, from $3,624 thousand for the fiscal quarter ended April 3, 2020 to $5,422 thousand for the fiscal quarter ended April 2, 2021. The increase was primarily attributable to an increase in income before income taxes.

Fiscal year ended January 1, 2021 compared to fiscal year ended January 3, 2020

Revenue from product sales and services

Revenue from product sales and services increased by $53,717 thousand, or 29.4%, from $182,716 thousand for the fiscal year ended January 3, 2020 to $236,433 thousand for the fiscal year ended January 1, 2021. The increase was primarily attributable to higher sales of transmission systems, in particular under the THOR contracts with the US Army whereas sales of engines remained relatively stable.

Cost of product sales and services

Cost of product sales and services increased by $34,979 thousand, or 31.4%, from $111,454 thousand for the fiscal year ended January 3, 2020 to $146,433 thousand for the fiscal year ended January 1, 2021. The increase was primarily attributable to a one-time impairment charge relating to a fixed asset (a destroyer vehicle).

Engineering, selling and administrative expenses

Engineering, selling and administrative expenses increased by $5,316 thousand, or 20.4%, from $26,059 thousand for the fiscal year ended January 3, 2020 to $31,375 thousand for the fiscal year ended January 1, 2021. The increase was primarily attributable to an increase R&D expense for the Wolverine Transmission modernization project, as well as higher corporate management and IT cost allocations.

Non-operating income

Non-operating income increased by $2,458 thousand, or 137.0%, from $1,794 thousand for the fiscal year ended January 3, 2020 to $4,252 thousand for the fiscal year ended January 1, 2021. The increase was primarily attributable to increased FAS pension income.

Income taxes

Income taxes increased by $5,970 thousand, or 58.3%, from $10,248 thousand for the fiscal year ended January 3, 2020 to $16,218 thousand for the fiscal year ended January 1, 2021. The increase was primarily attributable to an increase in income before income taxes and an increase in our effective tax rate from 21.8% for the fiscal year ended January 3, 2020 to 25.8% for the fiscal year ended January 1, 2021. The increase in the effective tax rate was partially attributable to an increase in the blended state tax rate from 3.4% for the fiscal year ended January 3, 2020 to 5.7% for the fiscal year ended January 1, 2021.

Liquidity and Capital Resources

Overview

The L3Harris group uses a centralized approach to cash management and financing. The cash of the Target Business is transferred to a L3Harris bank account and L3Harris funds the Target Business's working capital and capital expenditure requirements as needed. Accordingly, the Target Business's principal sources of funds has been cash generated from the Target Business's operating activities as well as funds received from L3Harris. The Target Business's principal uses of cash are funding the daily business, working capital and capital expenditures.

Following the consummation of the Acquisition, the Target Business will no longer be part of L3Harris centralized cash management. Accordingly, the Target Business's principal sources of liquidity are expected to be funds generated from the Target Business's operating activities as well as funds from other members of the Group.

Cash Flow

The following table shows the principal components of the Target Business's cash flows for the periods indicated below:

	Fiscal years ended		Fiscal quarters ended	
	January 3, 2020	January 1, 2021	April 3, 2020	April 2, 2021
	($ thousand)			
	(audited)		(unaudited)	
Net cash provided by operating activities	44,886	49,128	6,329	28,391
Net cash used in investing activities	(1,185)	(3,497)	(23)	(126)
Net cash used in financing activities	(42,365)	(44,568)	(4,978)	(28,599)
Net increase in cash	1,240	1,647	1,253	(619)
Cash, end of period	6,292	7,939	7,545	7,320

Net cash provided by operating activities

Net cash provided by operating activities increased by $22,065 thousand, from net cash provided of $6,329 thousand for the fiscal quarter ended April 3, 2020 to net cash provided of $28,391 thousand for the fiscal quarter ended April 2, 2021. The increase was primarily attributable to higher cash receipts from the THOR contracts in the fiscal quarter ended April 2, 2021 due to program timing. In contrast, the fiscal quarter ended April 3, 2020 was negatively affected by the payoff of large accounts payable.

Net cash provided by operating activities increased by $4,242 thousand, or 9.5%, from net cash provided of $44,886 thousand in the fiscal year ended January 3, 2021 to $49,128 thousand in the fiscal year ended January 1, 2021. The increase was primarily driven by higher net income, offset by higher accounts receivable due to THOR program timing.

Net cash used in investing activities

Net cash used in investing activities increased by $103 thousand, from a cash use of $23 thousand for the fiscal quarter ended April 2, 2020 to $126 thousand for the fiscal quarter ended April 3, 2021.

Net cash used in investing activities increased by $2,312 thousand from a cash use of $1,185 thousand in the fiscal year ended January 3, 2020 to a cash use of $3,497 thousand in the fiscal year ended January 1, 2021. The increase was primarily attributable to increased spend on factory equipment due to increase throughput. Net cash used in investing activities in the fiscal year ended January 3, 2020 was limited by cash constraints placed on the Target Business by the L3Harris group given its focus on free cash flow generation during the period.

Net cash used in financing activities

Net cash used in financing activities increased by $23,621 thousand from a cash use of $4,978 thousand for the fiscal quarter ended April 2, 2020 to $28,599 thousand for the fiscal quarter ended April 3, 2021. The increase was attributable to higher net transfers to L3Harris under the cash pooling arrangements, which was in turn driven by higher revenue from product sales and services as well as an increase in net cash from operating activities.

Net cash used in financing activities increased by $2,133 thousand, or 5.2%, from a cash use of $42,365 thousand in the fiscal year ended January 3, 2020 to $44,568 thousand in the fiscal year ended January 1, 2021. The increase was attributable to higher net transfers to L3Harris under the cash pooling arrangements, which was in turn driven by higher revenue from product sales and services as well as an increase in net cash from operating activities.

Net Working Capital

Net working capital of the Target Business is calculated as inventories plus contract assets and receivables less accounts payable. The table below sets forth certain line items from the Target Business's combined balance sheet for the periods indicated:

	Fiscal Years ended,		Fiscal quarter ended
	January 3, 2020	January 1, 2021	April 2, 2021
		($ thousand)	
	(audited, unless specified otherwise)		(unaudited)
Inventories	8,672	5,591	5,483
Contract assets	51,317	39,523	46,972
Receivables	13,019	33,767	11,669
Contract liabilities	(1,454)	(5,782)	(4,373)
Accounts payable	(17,101)	(16,539)	(16,427)
Net working capital (unaudited)	**54,453**	**56,560**	**43,324**

Net working capital as of April 2, 2021 amounted to $43,324 thousand compared to $56,560 thousand as of January 1, 2021. The decrease was primarily driven by a decrease in receivables from $33,767 thousand as of January 3, 2020 to $11,669 thousand as of January 1, 2021 as a result of timing of a significant December 2020 THOR invoice that was paid in the first quarter of 2021 , which was only partially offset by higher contract assets.

Net working capital as of January 1, 2021 amounted to $56,560 thousand compared to $54,453 thousand as of January 3, 2020. Contract assets decreased from $51,317 thousand as of January 3, 2020 to $39,523 thousand as of January 1, 2021, primarily due to the 2020 increase by US Department of Defense of the Progress Billing Rate, from 80% to 90%, as well as reduced costs on THOR and AMPV programs. This decrease in contract assets was largely offset by an increase in receivables from $13,019 thousand as of January 3, 2020 to $33,767 thousand as of January 1, 2021 mainly driven by timing of a significant December 2020 THOR invoice that was paid in the first quarter of 2021.

Capital Expenditures

The Target Business's capital expenditures represents additions to property plant and equipment as set forth in the Target Business's combined statement of cash flows. It primarily related to machinery and equipment in connection with major contracts.

For the fiscal quarter ended April 2, 2021, capital expenditures amounted to $126 thousand and related mainly to machines and equipment.

For the fiscal year ended January 1, 2021, capital expenditures amounted to $3,497 thousand and related mainly to machine build-outs related to the THOR III contract as well as software upgraded and additional computer licenses.

For the fiscal year ended January 3, 2020, capital expenditures amounted to $1,185 thousand and primarily related to new machinery at the Target Business's Muskegon plant.

Lease Commitments

The Target Business has one operating lease with a lease term in excess of twelve months related to a satellite office and manufacturing facility in Starnberg, Germany. The Target Business also has operating leases for automobiles and other equipment used in its offices and manufacturing facilities with non-cancelable lease terms of less than twelve months which are expenses as incurred. The Target Business does not have any finance leases.

Future lease payments for the Target Business's non-cancelable operating lease for its Starnberg site at January 1, 2021 was as follows:

	January 1, 2021 ($ thousand) (audited)
Fiscal Years	
2021	366
2022	366
2023	366
2024	366
2025	366
Thereafter	1,465
Total future lease payments required	**3,295**
less: imputed interest	(323)
Total	**2,972**

Contingent Liabilities

As of the date of this Offering Memorandum, the Target Business does not have any material contingent liabilities.

Pension Obligations

Certain of the Target Business's employees are covered under defined benefit plans legally sponsored by the Seller. The Target Business is allocated its relevant share of the net periodic pension costs or income for the Seller employee benefit plans by the Seller. As such, the Target Business has not recorded any liabilities nor plan assets associated with its participation in these multi-employer plans in its combined balance sheet.

In addition, certain of the Target Business's employees participate in defined contribution plans sponsored by the Seller. The Target Business's costs related to the Seller's matching contributions under the defined contribution plans were $1,079 thousand, $1,184 thousand and $402 thousand for the fiscal years ended January 3, 2020 and January 1, 2021 and the fiscal quarter ended April 2, 2021, respectively.

Off-Balance Sheet Arrangements

As of the date of this Offering Memorandum, the Target Business is not party to any off-balance sheet arrangements.

Critical Accounting Policies

The preparation of financial statements in accordance with US GAAP requires the Target Business to make estimates and assumptions that affect the amounts reported in its combined financial statements included elsewhere in this offering memorandum. These estimates and assumptions are based on experience and other information available prior to the issuance of these combined financial statements. Materially different results can occur as circumstances change and additional information becomes know. For a summary of the accounting policies requiring the Target Business to make estimates and assumptions, please see Note 1 to the Target Business's audited combined financial statements as of and for the fiscal years ended January 1, 2021 and January 3, 2020 included elsewhere in this offering memorandum.

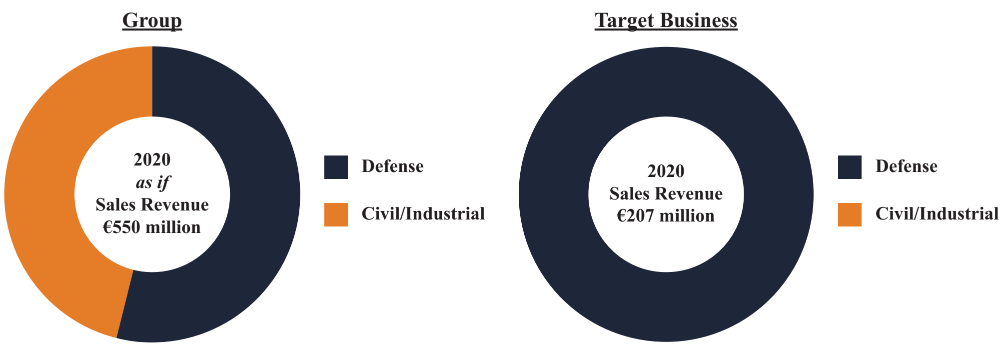
INDUSTRY AND COMPETITION

The market data included in this section represents estimates taken from external sources, including the Third Party Report (prepared in February 2020), as well as the Group management's estimates and extrapolations from third-party and publicly-available data. While the Issuer and the Group have compiled, extracted and reproduced market or other industry data from external sources, including third-party or industry or general publications, none of the Issuer, the Group, the Guarantors or the Initial Purchaser have independently verified such data. Certain of the market and industry data included below may not accurately reflect certain aspects of the current market and industry and should not be unduly relied upon. There can be no assurance as to the accuracy and completeness of, and the Issuer, the Guarantors and their respective directors and management take no responsibility for, such data. In addition, when considering the industry and market data included in this offering memorandum, prospective investors should note that this information may be subject to uncertainty due to differing definitions of the relevant markets and market segments described.

The broad set of the Combined Group's product portfolio of vehicle transmissions and engines, gear systems and other drive components are used in a wide variety of end-markets with different growth dynamics. The Group generates the majority of its sales revenue in defense related end-markets (*e.g.*, armored vehicles and naval applications), which are characterized by long-term projects awarded by the respective MoDs among others. The acquisition of the Target Business expands the Group's product portfolio in transmissions as well as by engines, electric power supplies and hybrid drive systems and further increases the exposure to the defense market. Due to the Group's and the Target Business' market leading positions in many of their offered product categories, the Group and the Target Business maintain strong relationships with key decision makers. This will benefit the Group and the Target Business in winning new projects (new equipment as well as aftermarket activities) in the future. The remaining revenues of the Group are generated in civil marine and industrial end-markets such as oil & gas, energy generation, plastics and steel production. The Target Business does not engage in civil marine and industrial end-markets, yet is focused on defense.

In principle, the Group and the Target Business have two types of revenue: New business as well as aftermarket activities. Revenue from aftermarket activities are mostly recurring revenue streams throughout the product lifecycle (the use of life can range from approximately 20 years for heavy duty applications (*e.g.*, cement grinding) to over 40 years for marine applications. However, for the Target Business, aftermarket activities may also comprise the delivery of new transmissions systems or engines for armored vehicles, while overhauled transmissions might be used for new vehicles. Use of life for defense-related transmissions as offered by the Group and the Target Business typically have a use of life of about 30 years and can also reach 40 years and more).

Exposure by major end-market industries (€m; 2020)



As depicted in the chart above, the Group has a focus on the defense sector where it generated approximately half of its sales revenue from customers in 2020. The Target Business focuses solely on defense end-markets, thus increasing defense exposure of the combined Group while the Group's exposure to the more cyclical industrial end-markets such as oil & gas is limited.

Vehicle Transmissions

The Vehicle Transmissions business unit generated *as if* €238.2 million of sales revenue (before inter-business unit consolidation) for the former RENK AG Group in the twelve month period ended December 31, 2020, focusing on fully automatic transmissions for medium- and heavy tracked vehicles, suspension systems for armored vehicles and test rigs for various industrial end-markets.

Transmission market

A significant growth in the addressable defense markets is expected due to increasing defense budgets and the armies' general need for modernization of vehicle fleets. The transmissions market for both new transmission units and aftermarket offerings in the Group's and the Target Business's addressable geographies is attractive with an estimated volume of approximately €500 million according to the (pre COVID-19) Third Party Report. The same report estimates the addressable market to grow at approximately 10 to 11% per annum until 2024. Key highlights:

- The overall defense market is in the middle of a "super-cycle," triggered by increasing global political tensions and increasing pressure on all member states to match NATO's defense spend target of 2% of GDP;
- Governments around the world have been delaying necessary investments in their fleet in the recent past. Aging military fleets and long order times of new platforms directly lead to higher maintenance requirements / spend in the future—a trend which already positively impacts sales revenue of both the Group and Target Business;
- Technological advancements have widened the range of armored vehicles currently being developed and produced and thereby support the overall growth momentum. Active protection systems and artificial intelligence, mainly used for vehicle autonomy and predictive maintenance, are some of the latest technological developments; and
- The acquisition of the Horstman Group in 2019 adds new manufacturing capabilities (suspension systems) and provides access to additional growth markets in the UK and US, while also increasing exposure to the wheeled armored vehicle segment; and
- The acquisition of the Target Business in 2021 provides the Group with access to the multi-billion armored vehicle market in the US which has been a white-spot for the Group's transmissions business so far. In addition, the acquisition expands the Group's product portfolio in medium -weight transmissions for US, Israeli and other NATO(-allied) government customers and hence also expands the overall addressable profit pool.

The estimates and assumptions above including the growth target are expected to remain unchanged throughout the COVID-19 pandemic as (i) the Group and the Target Business experienced continuously high demand from strong pipelines throughout the pandemic, (ii) select countries announced plans to intensify their spending for defense projects as a reaction to boost GDP and (iii) certain military conflicts continue to emerge (e.g. Israel).

The Group is a leading player in transmissions for tracked vehicles in currently served geographies as the Group is perceived as best-in-class for innovation, high reliability and quality, particularly in harsh conditions (*e.g.*, the desert). Other market participants include Ashot, ST Engineering, Allison Transmission, SAPA, David Brown Santasalo, General Kinetics and, in the future potentially, ZF. Going forward, the Group and the Target business are well placed to retain and expand their market share in addressed geographies given the strong technical know-how, deep and long-standing customer relationships and being the single-source transmission supplier in various projects.

Changes to the technical and localization requirements in the US combined with the acquired US footprint of the Target Business and the potential for select technology transfers between both businesses allow the Group to strengthen its strategic positioning for upcoming projects. This is expected to include the planned the multi-billion dollar Optionally Manned Fighting Vehicle (**"OMFV"**), which is part of the Next Generation Combat Vehicles ("**NGCV**") program of the US Army. As of April 2020, the US Army has set out a phased approach for contracting for and acquisition of OMFVs with first deliveries planned for 2027/28. The Target Business is currently supplying most of the major tracked vehicle platforms of the US Army with its transmissions and engines (e.g. Bradley, AMPV, PIM, M88 Series, etc.) and is committed to continue the trusted relationship on new and legacy vehicle platforms over the long-term and far beyond the NGCV program.

Engine market

Through the acquisition of the Target Business, the Group expands its drive train product portfolio by engines for tracked defense vehicles. The Target Business is a leading manufacturer of engines for medium- and heavy tracked vehicles for the US Army and international customers with a significant installed base globally.

The engine market for both new units and aftermarket offerings in the Group's and the Target Business's addressable geographies is closely related to the transmission market from a size and growth perspective, with both products together being the core of the vehicle's drive train.

One specific trend which can be observed in this market over the last few years is the increasing demand for higher horsepower engines. The Target Business is advanced and dedicated to address this need with a technological advancement to its existing engine (electric fuel injection upgrade). Another mid- to long-term trend in the engine market is an increased use of hybrid or electric engines given the use of more complex electronic systems. In addition, hybrid systems can provide more power in total, reduce the space used for the combustion engine and allow for silent movement of a vehicle when only electric drive is used. Please refer to the Transmission market section above for further market trends. These are applicable for both, the transmission and engine markets, and are driven by underlying defense programs.

Special Gear Units

The Special Gear Units business unit generated *as if* €168.0 million of sales revenue (before inter-business unit consolidation) for the former RENK AG Group in the twelve month period ended December 31, 2020, serving a broad range of end-markets including Navy (gearboxes for large surface vessels for public authorities such as corvettes, frigates and offshore patrol vessels), civil marine (gearboxes for fast ferries and mega-yachts), oil & gas / conventional power generation (high-speed stationary gearboxes), plastics (*e.g.*, extruder gearboxes) and cement (*e.g.*, mill gearboxes).

Navy gearbox market

The Group manufactures complex gear units primarily used in defense applications (*i.e.*, corvettes, frigates and offshore patrol vessels) as well as gear units used in civil marine applications (*i.e.*, mega-yachts and fast ferries) with high technological requirements such as high power, low noise and low vibration.

The Navy market is attractive with an order value of commissioned Navy vessels in the Group's currently and additionally addressable geographies representing an order value of the complete vessels of approximately €18 billion in 2019. 2020 was expected to see a decrease as specific larger vessel programs in some of the addressed markets reach their final deliveries, but new programs are gradually ramping-up again thereafter. The same report estimates this market to grow by approximately 5-6% per annum from the 2019 base to approximately €23 billion in 2024. The value share of gear boxes in completed vessels varies by type of vessel. Key highlights:

- Strong international demand for new shipbuilding programs as reflected by the number of orders in the Group's addressable market (especially Germany, the USA, India, and South Korea);
- Many countries work on modernizing and expanding their fleets; and
- Increasing demand for technological innovation: With the Group's continued effort for innovation and technological leadership, the Group has successfully developed the AED (Advanced Electric Drive), an electric propulsion system for *e.g.*, mega-yachts and other vessels with low-noise requirements and a comprehensive hybrid propulsion system offering the possibility to combine different technologies such as diesel engines, gas turbines and electric motors. The Group's innovations ideally position it to capitalize on the trend towards the electrification of propulsion systems going forward.

The Group is a global leader in the market for Navy gearboxes with a market share of approximately 30% and strong customer advocacy according to the Third Party Report. The Group's engineering capabilities and the ability to cater to the Group's customers' needs has consistently helped it to manifest its leading market position, however, localization is becoming increasingly important and creates additional competitive pressure.

Stationary gearbox market

The Group manufactures high-speed gearboxes for the energy generation and oil & gas industry, extruder gearboxes for the plastics industry and mill gearboxes for the cement industry.

The market size and dynamics for high-speed gearboxes described below include this segment within the Special Gear Units and the Standard Gear Units business units as the respective end-markets overlap. The Third Party Report estimates the high-speed gearbox market for the oil & gas and energy generation industries at approximately €610 million in 2020 and expects it to grow at approximately 1 – 2% per annum to approximately €655 million in 2024. High-speed stationary gearboxes are deployed across several industries such as oil & gas (up-, mid-, downstream), conventional power generation, where gearboxes are used in steam-/ gas turbines. Key highlights:

- New gearbox sales in oil & gas, driven by increased capex investments, as major oil companies will relaunch projects post a potential oil price recovery;
- Slight growth in the installed base and aftermarket potential, as new refinery capacity is added to market and pipeline system is growing according to the Third Party Report;
- Growth in decentralized gas plants; and
- In Europe, conventional power capacity is expected to decrease slightly, driven by shift to renewable energies (*e.g.*, wind).

According to the Third Party Report, the Group is among the top four suppliers in the market for high-speed gearboxes with a market share of approximately 20% (across the Special Gear Units and Standard Gear Units business unit), along with Flender, Voith, and Lufkin/Allen Gears. The Group's addressable market is rather concentrated with the top four players accounting for approximately 70% of total revenues according to the same report. Other competitors include ZF, Naval Group, Reintjes, Abex, David Brown, Santasalo and Philadelphia Gear.

Standard Gear Units

The Standard Gear Units business unit has generated *as if* €69.0 million of sales revenue (before inter-business unit consolidation) for the former RENK AG Group in the twelve month period ended December 31, 2020, serving a broad range of end-markets for gearboxes with a focus on marine (civil marine gearboxes for mid-/ large sized vessels) as well as energy generation and oil & gas (stationary gearboxes). The business unit also provides couplings for various industrial markets.

Marine gearbox market

The Group manufactures gearboxes for civil marine applications such as medium- to large passenger ferries, LNG / LPG tankers as well as cargo and supply vessels.

The Third Party Report estimates the addressable civil marine gearbox market at approximately €100-€200 million in 2020 and expects it to remain largely stable with growth of approximately (1)-0% per annum until 2024 (including aftermarket). Key highlights:

- Overall, civil shipbuilding is cyclical and is expected to gradually exit from its current downturn phase, yet low oil-prices and longer-term COVID-19 effects might delay market recovery;
- While additions of cargo vessels are expected to decline given rather low utilization rates and uncertainty regarding the global trade outlook at this stage, additions of non-cargo vessels are set to grow at approximately 3-4% per annum until 2024 due to:
- Improved commissioning of ferries partially driven by stricter safety and stability requirements;
- Demand for dredgers, which is driven by the rise in global trade and need to expand waterways (*e.g.*, Suez Canal) for larger vessels;
- Stable outlook for passenger ferries for the next years.
- Overall, new additions are expected to grow in Asia whereas new additions in Europe are expected to decline;
- Environmental regulation continues to have a growing impact on the industry with increasing demand for more efficient and environmentally friendly solutions; and
- There is some price pressure on new gearboxes driven by low cargo demand and increased competition from Asian LCCs.

According to the Third Party Report, the Group is one of the three market leaders along with Flender and Wärtsilä in the civil marine gearbox market ahead of Reintjes. The market is rather concentrated with the top four Western players accounting for approximately 70% of revenues according to the same report. Traction of players in LCCs, *e.g.*, NGC Gears from China, has been increasing in Asian markets, as shipyards increasingly source from local suppliers, partially driven by cost considerations. In the medium-term, players in LCCs are expected to continuously increase their share as shipbuilding is generally shifting to Asia.

Going forward, the Group expects to maintain growth on the back of recovering markets as well as an expansion into new products, *e.g.*, the two-stroke engine market, and geographies.

Stationary gearbox market

In the stationary end-markets, the Group manufactures stationary gearboxes and couplings for industrial applications such as turbine plants, pumps and compressors. Primary end-markets include energy generation, oil & gas, steel production, and mining.

Please refer to the Special Gear Units section above for the market size and trends of high-speed gearboxes.

Other competitors in the Special Gear Units business include KTR, Jaure, and Voith Turbo.

Slide Bearings

The Group manufactures hydro-dynamically lubricated standard and custom-made slide bearings for various applications including electrical machines, steel and energy generation as well as marine applications (Navy and civil end-markets). The Slide Bearings business unit has generated *as if* €83.5 million of sales revenue (before inter-business unit consolidation) for the former RENK AG Group in the twelve month period ended December 31, 2020.

E-bearings market

E-bearings make up the majority of the Group's sales revenue in the Slide Bearings business unit and are mainly used in industrial plants, mechanical engineering and energy generation, where they are deployed in electrical motors, generators, pumps and compressors. The Third Party Report estimates the relevant market for E-bearings at approximately €205 million in 2020 with a solid growth trajectory of approximately 2 – 3% per annum until 2024 (including aftermarket). Key highlights:

- Global oil demand expected to be resilient in the long-term as hydrocarbons remain key source for growing energy needs. Following the recent turmoil in the oil & gas industry, fundamentals are showing signs of recovery as demand picks up even ahead of lockdown measures being eased; and
- Large and growing installed base leads to growing aftersales market opportunities as companies tend to focus more on brownfield rather than greenfield investments. Major investments in the energy sector back in 2009 could boost the demand for maintenance and repair for years to come.

According to the Third Party Report, the Group is the market leader in the relevant E-bearings market ahead of Miba. Traction of LCC manufacturers is growing, particularly in their respective home markets. The Group is defending its market share by expanding the Group's footprint in Asia and by continuing to offer superior availability and quality, which is important given E-bearings are used in critical applications and any malfunctions result in major costs. Other competitors in the Slide Bearings business include Hunan Sund, Kingsbury, Inc., Blohm + Voss and British Engines Group.

BUSINESS

OVERVIEW

The Combined Group will form a leading global manufacturer of high quality automatic transmissions and engines, gear units, slide bearings, suspension systems, hybrid drive systems, couplings, and test systems. The Combined Group will serve a diverse range of end-markets with a particular focus on the defense sector, which benefits from stable revenues under long-term contracts and favorable growth trends. The Group believes that the combination of its technological capabilities and strong relations with customers in Europe and Asia combined with the Target Business's production footprint and deep partnership with the US Army will position the Combined Group to benefit from strong growth trends in the armored vehicles market.

For the twelve month period ended March 31, 2021, the Combined Group generated combined sales revenue of €781,831 thousand and a combined Adjusted EBITDA of €164,242 thousand.

RENK

The Group serves a diverse range of end-markets with a particular focus on armored vehicles, defense and civil marine, energy generation, cement production, plastics production, oil & gas, and other industries. The Group's products are, in many cases, mission-critical to its customers' end-products and require high quality and reliability. As a result, the Group is a trusted supplier of premium products and is involved at all critical stages of its customers' value chain, from engineering, to commissioning and aftermarket services. Long-term contracts in certain of its business units, in particular vehicle transmissions and Navy gearboxes provide stability of its sales revenue and operating profitability as well as a natural hedge during sudden economic downturns. In the twelve month period ended December 31, 2020, the former RENK AG Group generated *as if* sales revenue of €550,207 thousand and *as if* Adjusted EBITDA of €86,098 thousand.

The Group operates through four business units: Vehicle Transmissions, Special Gear Units, Standard Gear Units and Slide Bearings.

The *Vehicle Transmissions* business unit is one of the leading producers of fully automatic transmissions for medium- and heavy-weight tracked vehicles according to the Third Party Report as well as a producer of test rigs for various industrial end-markets. In 2019, the Group acquired the Horstman Group, a provider of armored vehicle suspension systems, which also added manufacturing capabilities in the United Kingdom and the United States in addition to this business unit's existing production operations in Germany and France. In the twelve month period ended December 31, 2020, the Vehicle Transmissions business unit generated 43.3% of the former RENK AG Group's *as if* total sales revenue and 71.0% of the former RENK AG Group's *as if* operating profit (before inter-business unit consolidation).

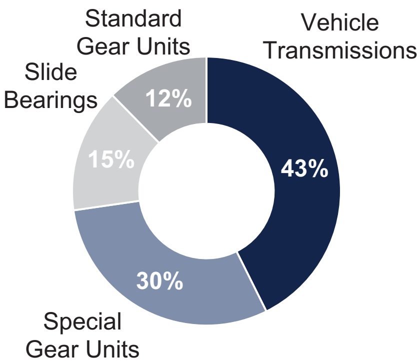
The *Special Gear Units* business unit comprises of the production of large gear units, ranging from stationary gear units for a variety of industrial applications to high-speed gear units mainly for the oil & gas sector and complex gear units for fast ferries, mega-yachts and naval applications. According to the Third Party Report, the Group is a global leader in naval applications and gear systems for combined propulsion systems. In the twelve month period ended December 31, 2020, the Special Gear Units business unit generated 30.5% of the former RENK AG Group's *as if* total sales revenue and 8.7% of the former RENK AG Group's *as if* operating profit (before inter-business unit consolidation).

The *Standard Gear Units* business unit specializes in the production of marine gearboxes for merchant ships, ferries, LNG/LPG tankers, and other specialty ships, as well as stationary gearboxes and couplings for energy generation, oil & gas, and other industrial applications. This business unit is a technology player with a market leading position for large single and twin engine marine gear units. In the twelve month period ended December 31, 2020, the Standard Gear Units business unit generated 12.5% of the former RENK AG Group's *as if* total sales revenue and 1.3% of the former RENK AG Group's *as if* operating profit (before inter-business unit consolidation).

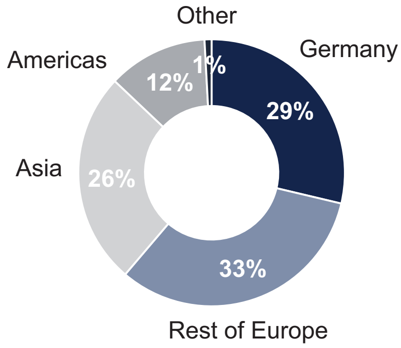
The *Slide Bearings* business unit primarily supplies hydro-dynamically lubricated slide bearings used in electric motors, generators, pumps, blowers, water turbines, conveyors and marine applications. The Group believes it is the global leader in E-bearings for electrical machines with a global distribution network. In the twelve month period ended December 31, 2020, the Slide Bearings business unit generated 15.2% of the former RENK AG Group's *as if* total sales revenue and 19.0% of the former RENK AG Group's *as if* operating profit (before inter-business unit consolidation).

The charts below provide an overview of the former RENK AG Group's *as if* total sales revenue by business unit (before inter-business unit consolidation) and split by geography for the twelve month period ended December 31, 2020:

Total sales revenue by business unit



Split by geography



The Group generates approximately half of its sales revenue from customers in the defense sector, which generally provides it with stable sales revenue streams based on a strong order book and long-term contracts. In addition, the Group benefits from positive secular trends in its key underlying markets. Spend for armored vehicles is expected to grow on the back of increasing geopolitical tensions and pressure on all NATO member states to increase their defense budgets to 2% of their respective GDP. The Navy market is expected to remain at current high levels. The Group's civil marine and industrial end-markets are at or close to the bottom of their respective cycles and the Group therefore believes that these have limited further downside from cyclicality. In addition to new equipment sales, the Group generates a significant portion of its sales revenue from recurring aftermarket business (more than one third of its *as if* sales revenue of the former RENK AG Group) by leveraging the Group's large and growing installed base across the entire product portfolio.

The Group has a diverse and loyal customer base characterized by long-standing customer relationships with blue-chip OEMs, including Fincantieri, General Dynamics, GE, KMW, Lockheed Martin, Rheinmetall, and Siemens, as well as government agencies, primarily in the defense sector. Complex technological requirements, coupled with required customer credentials and reliability assurances for mission-critical products support customers' loyalty to the Group as a trusted supplier and increase barriers to entry for new competitors. In addition, the Group's strong focus on R&D, together with its fully-owned and well-invested modern production facilities, allow the Group to meet high customer requirements with respect to quality, reliability and delivery of customized solutions.

The Group's competitive strengths are built on maintaining its leading technological positions in individual application areas, the Group's global presence in its relevant markets and its high level of service quality tailored to the needs of international customers. Combining the individual strengths and product expertise of the Group's individual business units enables the Group to realize synergies on large-scale projects.

Headquartered in Augsburg, Germany, the Group operates seven production sites and 13 branch offices around the world. Its production sites are located in Germany (Augsburg, Rheine, Hanover), Switzerland (Winterthur), France (Saint-Ouen-l'Aumône), the United Kingdom (Bath) and the United States (Sterling Heights). As of March 31, 2021, the Group had approximately 2,600 employees (including consolidated entities only), of which approximately 2,000 were located in Germany.

The Target Business

The Target Business is a leading supplier of transmission, engines and hybrid drive systems, particularly for the US armored vehicles market. The Target Business's products are almost exclusively used in the defense end-market. Further, the Target Business benefits from high revenue visibility through several long-term, sole-source agreements for key US Army platforms as well as a large installed base of approximately 17,500 vehicles globally, which provides the potential for aftermarket sales. L3 Magnet Motor GmbH is focusing on the development, design and manufacturing of high-performance electric power supplies and hybrid drive systems for military use. In the fiscal year ended January 1, 2021, the Target Business generated revenue from product sales and services of $236,433 thousand and an Adjusted EBITDA of $66,607 thousand.

The vehicle transmissions business represented approximately 73% of the Target Business's revenue from product sales and services in the fiscal year ended January 1, 2021. Approximately 89% thereof related to new system sales whereas the remainder related to aftermarket sales and services. Key platforms in the transmissions business include the Bradley Fighting Vehicle (customer: US Army), a tracked fighting vehicle platform, the Armored Multi-Purpose Vehicle (customers: US Army and BAE Systems), an armored personnel carrier and the Paladin Integrated Management (PIM) program (customer: US Army), a self-propelled howitzer upgrade program.

The engines business represented approximately 22% of the Target Business's revenue from product sales and services in the fiscal year ended January 1, 2021. Approximately 47% thereof related to new system sales whereas the remainder related to aftermarket sales and services. Key platforms in the engines business include the M88A2 (customer: US Army), an armored recovery vehicle, the NAMER (customer: Israel Ministry of Defense), an armored personnel carrier, an armored personnel carrier and the Merkava I and II (customer: Israel Ministry of Defense), a main battle tank.

The hybrid drive systems business represented approximately 5% of the Target Business's revenue from product sales and services in the fiscal year ended January 1, 2021. Approximately 95% thereof related to new system sales whereas the remainder related to aftermarket sales and services. It mainly engages in engineering of hybrid solutions for land vehicles and marine vessels. It also has one production order for the Hawkei (customer: Thales), a light, wheeled protected vehicle.

The Target Business has long-term relationships with many of its key customers, such as the US Army, the Israel Ministry of Defense, BAE and Thales. It is particularly focused on the US market, where the Group has a limited presence prior to the consummation of the Acquisition.

The Target Business's headquarter is located in Muskegon, Michigan, where it operates a 930,000 square feet. vertically integrated production facility as well as two test tracks. The Muskegon site is focused on the development and production of transmissions and engines for armored vehicles. In addition, the Target Business maintains a research, production and test facility in Starnberg, Germany, where it focuses on hybrid drive systems for armored vehicles and navy vessels. In the fiscal year ended January 1, 2021, the Target Business generated approximately 80% of its revenue from new vehicles and approximately 20% of its revenue from existing vehicles.

As of December 31, 2020, the Target Business had approximately 400 employees, of which approximately 360 were located in the United States and approximately 40 were located in Germany.

STRENGTHS

The Group believes the Combined Group will benefit from the following competitive strengths.

Industry-leading supplier of high-quality components and systems.

The Combined Group will form an industry leading supplier of high quality automatic transmissions and engines, gear units, suspension systems, hybrid drive systems, slide bearings, couplings, and test systems, serving a diverse range of industries and end-markets. It will also expand its position in transmissions and gain a foothold in the market for engines for armored vehicles. The Group is an innovation leader with superior technical capabilities and a supplier of high quality components. The Group maintains leading positions across its core markets in highly specialized product categories with a unique product offering. According to the Third Party Report, each of the Group business units is among the top four providers in its respective addressable markets in terms of market share measured by sales revenue. According to the Third Party Report, the Vehicle Transmissions business unit is a leading producer of fully automatic transmissions for medium- and heavy-weight tracked vehicles, the Special Gear Units business unit is a global leader in naval applications, including gear systems for combined propulsion systems, and the Standard Gear Units business unit holds market leading positions in large single and twin engine marine gearboxes. The Group also believes that the Slide Bearings business unit is the global leader in E-bearings for electrical machines. The Group further believes that the Target Business is a well-established supplier to the US Army and international customers. Through its hybrid drive systems business, the Target Business is also active in the attractive market for high-performance electric power supply systems and hybrid drive systems for military vehicles, which the Group expects to grow as modern military vehicles require more electric power given more complex electronic systems.

The Combined Group's products are, in many cases, mission-critical to its customers' respective end-products and require the highest quality and reliability. Superior product quality, engineering capabilities, customer integration and innovation are therefore key to its business model and paramount to its success. The Group believes its strong innovation capabilities and technology leadership are among its key competitive strengths and that its product innovations have formed the backbone of its success for many decades. Moreover, the Group's commitment to the highest industry quality and technological standards are underlined by its innovation pipeline and its continuous investments in research and development ("**R&D**") and technology to remain an innovation leader in its end-markets and sectors. The Combined Group's ability to innovate is supported by more than 400 people (as of April 30, 2021) dedicated to R&D and design and is demonstrated by a large innovation pipeline of new products supporting future growth. The former RENK AG Group incurred *as if* €14,964 thousand in research and development costs ("**R&D Costs**") in the twelve month period ended December 31, 2020 for the development of new and existing products and technology. In addition, the Group conducts similar research and development activities on an order-specific basis depending on its customers' demands and needs. These costs are recognized within the Group's cost of sales and are assigned to the respective customer order. These costs amounted to approximately 1.5 times the former RENK AG Group's *as if* R&D Costs in the twelve month period ended December 31, 2020. In addition, the Group has established close co-operations with its customers and universities and has access to a broad network of relevant associations (*e.g.,* VDMA, FVA) in order to be able to closely follow and shape technological developments.

Diversified end-markets with positive underlying growth trends.

The Group serves a diverse range of end-markets with its products, including, in particular, armored tracked vehicles, marine (Navy and civil) applications, energy generation and the cement and oil & gas industries. As a result, the Group generates approximately half of its sales revenue from customers active in the defense sector, which has historically provided it with stable revenue streams based on strong order books and long-term contracts. The Target Business's products are used almost exclusively in the defense end-market. As a result, following the completion of the Acquisition, the share of sales revenue generated from customers active in the defense market is expected to increase further to more than two thirds of the combined sales revenue.

Defense spending has recently been increasing after years of budget cuts. According to a leading prime contractor, the global market for military equipment is entering a "super-cycle" driven by the underlying increase in demand for defense applications in response to global political tensions and pressure on all NATO member states to increase defense budgets to 2% of their respective GDP. The market growth for stationary gearboxes for industrial applications, including cement, energy generation, and oil & gas as well as gearboxes for civil marine applications is expected to develop steadily from low levels. The Group also intends to capitalize on its large and growing installed base and know-how to increase the share of its aftermarket revenues across all end-markets. In addition, following the turmoil in the oil & gas industry in the first half of 2020, oil prices have recovered swiftly as demand picked up driven by lockdown measures being eased in China and the United States and as COVID-19 vaccination campaigns progress. Historically, the Group has also successfully demonstrated growth through new product developments independent of underlying markets.

Significant growth in addressable defense markets is also expected due to the general need for modernization. The vehicle transmissions market for both new transmission units and aftermarket offerings in the Group's current and additional addressable geographies is attractive with an estimated volume of approximately €500 million according to the Third Party Report. The same report estimates the currently and additionally addressable market to grow at approximately 10 to 11% per annum between 2020 and 2024. The engine market for both new units and aftermarket offerings in the Group's and the Target Business' addressable geographies is closely related to the transmission market from a size and growth perspective, with both products together being the core of the vehicle's drive train. In addition, aging military fleets and long order times are directly leading to higher maintenance requirements and spend. Following the acquisition of the Horstman Group, a provider of suspension systems for armored vehicles, in 2019 and the Target Business in 2021, the Combined Group will be active in the multi-billion dollar US armored vehicle market, which the Group could not previously access . In addition, the Group has gained manufacturing sites in the United Kingdom, the United States and Germany.

According to the Third Party Report, the Navy market is expected to remain at high levels driven by high international demand for new shipbuilding programs. The Navy market is attractive with commissioned Navy vessels in the Group's currently and additionally addressable geographies representing an order value of completed vessels of approximately €18 billion in 2019 according to the Third Party Report. The same report estimates the market to grow by approximately 5-6% per annum between 2020 and 2024 to approximately

€23 billion in 2024. The value share of gear boxes in completed vessels varies by type of vessel. The Navy market is relatively stable due to many countries seeking to renovate their fleets, including Germany and certain Asian countries. The Group believes that it is well-positioned to benefit from the trends in the Navy market given that it is a global leader in the Navy gearbox market with a market share of approximately 30% according to the Third Party Report, whereby localization will become increasingly important. In addition, the trend towards electrification of propulsion systems is expected to gain traction, where the Group is well placed with its AED (Advanced Electric Drive) and hybrid propulsion systems offerings.

Long-term contracts in defense segments, in particular vehicle transmissions and Navy gearboxes, together with recurring sales revenue streams from the Group's aftermarket business, provide stability of its sales revenue and operating profitability as well as a natural hedge during sudden economic downturns. In addition, the Target Business benefits from several sole-source supplier contracts for key US Army platforms, which provide strong sales revenue visibility. Further, complex technological restrictions in replacing the Target Business's unique technology on incumbent platforms also increases barriers to entry for new competitors. Following the Acquisition, the Combined Group would also gain access to growth trends in power generation given the increasing use of complex electronic systems. Furthermore, the industries the Group's products serve and the companies active in those industries follow different economic cycles and pursue investment strategies at different times, which also contributes to a degree of cash flow stability and, the Group believes, helps to limit its exposure to adverse macroeconomic changes in any particular market segment.

Recurring revenues from large installed product base and aftermarket service offerings.

In addition to product sales, the Group generates approximately a third of its (*as if*) sales revenue through aftersales and service offerings by leveraging its large and growing installed product base across the entire product portfolio. The Group's aftersales business generally provides for a stable sales revenue stream and higher margins than for new business.

The Group's longstanding leading market positions have allowed it to achieve a large and growing installed base, which provides the Group with the potential for recurring and stable sales revenue streams. Through the acquisition of the Target Business, the Group would further gain access to the aftersales service market for several key US and international armored vehicle platforms, which the Group estimates represents an installed base of approximately 17,500 vehicles. Moreover, the Group believes further penetration, particularly of its own installed base, provides further upside for its aftermarket sales revenue. The Group believes its aftermarket offering delivers high quality products and services, is strategically located in close proximity to its core addressable markets and customers, benefits from strong relationships with OEMs and end-customers as well as very knowledgeable field service engineers with strong technical capabilities. In addition, the Group believes that it is well-placed to benefit from a continued increase in digital service revenues following its investments in Modest Tree and digital technology in recent years.

Strong product pipeline from long-term customer relationships

The Group has a diverse and loyal customer base characterized by long-standing customer relationships with blue-chip OEMs, including Fincantieri, General Dynamics, GE, KMW, Lockheed Martin, Rheinmetall, and Siemens and following the acquisition of the Target Business, BAE Systems, General Dynamic Land Systems and Thales, as well as government agencies, primarily in the defense sector, including the Bundeswehr, Israel Ministry of Defense, the French Armée de Terre and, following the acquisition of the Target Business, the US Army. In particular, following completion of the Acquisition, the Group believes that it will be strategically positioned for the large next generation combat vehicle program of the US army due to its combined production footprint and technological capabilities. The Group believes it is a trusted supplier of premium products and maintains deeply integrated relationships with its customers whom it supports over long product lifecycles based on its ability to deliver superior quality as well as reliable custom-made solutions. In addition, transmission systems and engines are highly complex, mission critical parts in the vehicles the Combined Group supplies. Due to the bespoke nature, costs and complexity of these systems, these systems and their suppliers are typically not replaced with alternative products or suppliers during the life-time of a platform.

The Group also believes it is well-positioned to leverage its strong project pipeline and to win further business. The pipeline for the Vehicle Transmissions business unit is backed by ongoing projects as well as new programs currently under development. The Group believes it has strong visibility over the medium term for projects with a high probability and that its strong market position and presence in many of the most relevant armored vehicle platforms increases the likelihood of winning further lots and new platforms. Platform projects ensure long-term and predictable sales revenue and earning streams.

Additionally, the Group believes it is also well-placed to execute projects in its Navy gearbox pipeline on the back of strong engineering capabilities. The Group believes there is typically a high likelihood of follow-on contracts after projects end due to its strong track record and established long-term relationships with shipyards and MoDs. In addition, the Group believes there is a high realization probability in countries where it has previously closely collaborated with shipyards (in particular in Germany, the United States and South Korea) or where the design of the ship is based on a former design which incorporates the Group's solution and know-how.

Well-invested and global operational footprint.

The Group's and the Target Business' combined global footprint includes nine production sites and 13 branch offices around the world. The Group's production sites are located in Germany (Augsburg, Rheine, Hanover and Starnberg), Switzerland (Winterthur), France (Saint-Ouen-l'Aumône), the United Kingdom (Bath) and the United States (Muskegon and Sterling Heights). The Group has been present in many of its locations for many years and it is continuing to expand, particularly in markets where meeting local content requirements will further increase its chances of winning new projects. The Group has assembly or production facilities in close proximity to its customers in order to allow for short lead times, where required. The Group owns and operates well-invested manufacturing facilities with modern machinery setups, and the Group's production sites have fully-integrated engineering and production capabilities. For example, in 2018 and 2019, the Group established a logistics center in Oberottmarshausen, Germany, commenced its significant capacity expansion program in Augsburg and invested in the acquisition of the Horstman Group and a participation in Modest Tree.

The Group's four core production sites (Augsburg, Rheine, Hanover and, following the Acquisition, Muskegon) include the following highlights: well-invested manufacturing facilities with little additional investment requirements apart from the current expansion in Augsburg, technically strong and very versatile production capabilities, and strong integration of enterprise resource planning systems in production. Based on the Group's significant investments in recent years and available manufacturing capacity, the Group is planning for limited additional capital expenditures over the medium term.

High revenue visibility from significant order backlog

The former RENK AG Group has demonstrated strong growth performance with sales revenue increasing from €502 million for the fiscal year ended December 31, 2018 to €550 million *as if* sales revenue for the former RENK AG Group for the twelve month period ended December 31, 2020, mainly driven by the acquisition of Horstman and growth in the Group's aftersales and services businesses.

The Group believes its future performance is supported by its strong Order Backlog, which creates high visibility on future earnings development. As of March 31, 2021, the former RENK Holding GmbH Group's Order Backlog amounted to €1,064 million, including €647 million in the Vehicle Transmissions business unit, €342 million in the Special Gear Units business unit, €45 million in the Standard Gear Units business unit and €38 million in the Slide Bearings business unit. The Vehicle Transmissions business unit and Navy gearboxes from the Special Gear Units business unit are the largest contributors to the Group's total Order Backlog due to the long project lead times in defense applications. There are generally shorter lead times in commercial applications served by the Special Gear Units, Standard Gear Units and Slide Bearings business units. The Target Business' Order Backlog amounted to €293 million as of April 2, 2021, bringing the aggregated Order Backlog for the Combined Group to €1,357 million as of the same date. The Combined Group's strong and growing Order Backlog is expected to generate future sales revenue over the coming years.

Attractive margins and free cash flow profile

The Group maintains an attractive margin and Free Cash Flow profile, as shown by its strong Free Cash Flow generation and Cash Conversion. The former RENK AG Group's Adjusted EBITDA margin has increased from 14.8% for the fiscal year ended December 31, 2018 to 15.0% for the fiscal year ended December 31, 2019 and 15.6% (*as if* for the former RENK AG Group) for the twelve month period ended December 31, 2020 respectively. The former RENK AG Group's *as if* Adjusted EBITDA margin for the twelve month period ended December 31, 2020 exceeded the Adjusted EBITDA margin for the fiscal year ended December 31, 2019 due to a favorable product mix with a large share of high margin aftermarket activity. Over the same period, the former RENK AG Group's Free Cash Flow (calculated as Adjusted EBITDA minus Maintenance Capital Expenditures) increased from Free Cash Flow of €50,455 thousand in the fiscal year ended December 31, 2018 to €63,801 thousand in the fiscal year ended December 31, 2019, and remained stable at €63,999 thousand (*as if* for the former RENK AG Group) in the twelve month period ended December 31,

2020. The Group's Cash Conversion followed a similar trend amounting to 67.8%, 76.3% and 74.3% (*as if* for the former RENK AG Group) for the fiscal year ended December 31, 2018, the fiscal year ended December 31, 2019 and the twelve month period ended December 31, 2020, respectively.

The Group is expected to be able to strengthen its financial profile following the Acquisition. The Target Business achieved a comparatively higher Adjusted EBITDA margin of 28.2% and Cash Conversion of 94.7% for the fiscal year ended January 1, 2021.

Proven management team with significant industry experience.

The Issuer's management team has significant industry experience and the expertise to lead the Group's future growth strategy as it has demonstrated strong leadership and its ability to execute corporate strategies in their prior positions held. Senior management is supported by experienced business unit management teams, which, in turn, are further supported by strong local teams. This management team is very experienced with more than 26 years of relevant industry experience on average. The Issuer believes that the industry knowledge and leadership skills of its management team, combined with its long-term management experience, provides it with a significant competitive advantage and also positions it favorably for profitable future growth. Further, following the consummation of the Acquisition, the Group also intends to leverage the market expertise and business relationships of existing senior management of the Target Business, particularly in the US armored vehicle market.

In addition, the Group intends to continue to draw from the market expertise, business relationships, knowledge and experience of its Sponsor. The Sponsor has strong industrial manufacturing expertise and a strong track record of driving cost savings and improvements in margin, while at the same time growing its portfolio companies both organically and through targeted acquisitions. For example, following completion of the Renk Acquisition, the Group, with the support of an external advisor, has commenced a procurement improvement initiative with a short-term target of single-digit million cost savings annually.

STRATEGY

In order to achieve the Group's long-term goal of profitable growth and to maintain its innovation and technology leadership position, the Group pursues a strategy which is based on four pillars: internationalization, operational excellence, innovation and customer focus. These key strategic pillars translate into individual strategic initiatives at the business unit level. In addition, the Group intends to further enhance its overall aftersales and services offerings through continued penetration of its large and growing installed base by leveraging its engineering strengths and enhancing its pro-active service approach.

Furthermore, the Group intends to continue to advance the development and application of digital solutions, both in its own production and processes as well as by expanding its product and service portfolio to include more digital solutions. The Group believes that the increased use of digital solutions (such as digital engineering) has the potential to maintain lean and efficient development and production processes. In relation to its customers, the Group intends to unlock revenue potential with existing customers by offering new digital solutions such as live condition monitoring, preventive maintenance or virtual and augmented reality trainings.

Vehicle Transmissions

The Group remains focused on expanding its strong positions with customers in existing markets and on continuing to enter and expand in new markets through strategic partnerships, mergers & acquisitions and local production capabilities. The Group expects its product innovations to support its expansion, which include amongst others autonomous driving (drive-by-wire) solutions for armored vehicles, integrated mobility solutions combining engines, transmission, final drives and / or suspensions, and state-of-the-art hydro-pneumatic and active suspension solutions. The Group is also in the process of further expanding and realigning the production and assembly of vehicle transmissions to optimize costs including the ongoing expansion program in Augsburg due to which production is expected to be ramped up in the second half of 2021. Additionally, the Group aims to expand its aftersales business, including through an increase of its installed base and an even more pro-active service approach.

For the Test Systems business, the Group is continuing to develop and expand its international presence through existing RENK subsidiaries (*e.g.,* South Korea, India) and sales representatives as well as sales partnerships. The Group's innovation focus is primarily on developing test bench solutions for commercial, agricultural, off-highway and other specialty vehicles as well as for aviation and high-speed railway applications. The Group's customer focus strategy is the continuous expansion of its aftersales business.

The Acquisition provides the Group with a unique opportunity to enter the multi-billion dollar US armored vehicle market. The Combined Group will be strategically positioned for the large next-generation-combat-vehicle program of the US army due to its combined production footprint and technological capabilities. The Target Business's transmissions business is expected to allow the Group to expand into the US medium-weight class market. It also comes with an installed base of approximately 6,600 transmissions providing significant ongoing service and spare parts demand. Additionally, the Target Business's engines business provides increased cross-selling potential for the Group's products. Furthermore, through the Target Business's hybrid drive systems business, the Combined Group will be active in an attractive market for high-performance electric power supply systems and hybrid drive systems for military vehicles, which the Group expects to grow with modern military vehicles.

Finally, the Group believes that the Acquisition will provide it with the potential to realize synergies and cost savings with an estimated mid-single million digit Adjusted EBITDA effect in the mid-term. Potential cost savings and synergies for the Combined Group are expected to include the opportunity to insource certain services and products that are currently procured from third parties and thereby internalizing the margin on these services and products.

Special Gear Units

With respect to internationalization, the Group is primarily focused on continuing to grow its subsidiaries in China, India and South Korea while also increasing localization in key Navy markets such as the United States and India. A range of new product innovations is intended to support the Group's expansion and future growth. They include new electric and digital solutions for Navy propulsion systems as well as variable speed powertrain systems for compressors and pumps, advanced gearbox solutions for vessels with low noise requirements and a 2-speed gearbox for plastic extrusion. Operational initiatives primarily relate to measures to optimize internal processes and reduce manufacturing costs and lead times in the Augsburg plant as part of our Excellence 2022 initiative in addition to increased sourcing from leading cost countries ("**LCCs**"). Finally, the Group continues to enhance its customer focus by providing entire system integration solutions for Navy applications, an online portal for spare parts as well as an expansion of the Group's overall aftersales business for Navy and industrial gearboxes.

Standard Gear Units

The Group aims to expand its international footprint by increasing the localization of production activities in India and China, as well as through the development of an international service structure and an improved mix of global and local sourcing activities. The primary innovation initiatives to support the Group's future growth include the development of high-volume products such as couplings for the rail and wind markets and drive components for the oil & gas markets, new electric hybrid system solutions for civil marine applications and the expansion of the product portfolio for industrial applications. The Group also aims to increase its market share in the industrial and oil & gas markets in Eastern Europe and Russia through targeted sales initiatives. The primary operational excellence measures comprise of the Group's efforts towards improved product cost controlling, continuous design optimization of existing products as well as the simplification and digitalization of order processing. With respect to customer focus, the Group is implementing design-to-cost measures to continuously improve product costs.

Slide Bearings

The Group intends to continue to internationalize primarily by expanding its existing satellite locations and establishing additional ones, to support new and existing customers. The Group's innovation initiatives are mainly focused on the development of laser deposition welding capabilities in its production and alternative bearing coatings as well as entering the bearings market for wind power generation and for high-speed machinery. To enhance the Group's operations, it remains focused on cost-reduction initiatives such as design-to-cost measures, increasing economies of scale and expanding the international procurement network in additional LCCs. In addition, the Group aims to enhance local just-in-time component stocking in certain key markets. In terms of customer focus, the Group aims to expand its spare parts business and add competence centers for repairs and service close to customers.

History

RENK was founded by Johann Julius Renk in 1873 in Augsburg-Lechviertel, Germany, as a small workshop for the mechanical production of gear wheels. In 1879, the company moved to Augsburg-Göggingen, Germany, which remains the Group's headquarters. RENK was transformed into a stock corporation in

1897, and in 1923 RENK became part of the MAN Group. Following the majority takeover of MAN SE by Volkswagen Aktiengesellschaft in 2011, RENK also became a member of the Volkswagen Group.

In April 2019, RENK acquired the armored vehicle suspension systems provider Horstman Group, which added to its manufacturing capacity in the United Kingdom and the United States, while also improving the Group's access to new defense end-markets. RENK also acquired a minority stake in Modest Tree, a technology leader in developing virtual- and augmented reality applications and software without coding (*e.g.,* to create immersive training solutions).

In January 2020, the Issuer entered into a definitive agreement to acquire a 76% shareholding in the former RENK AG from the Volkswagen Group. In connection with the acquisition, the Issuer also acquired shares in the former RENK AG representing approximately 15% of the entire outstanding share capital by way of a voluntary public takeover offer. Following consummation of the acquisition and voluntary public takeover offer in October 2020, the Issuer initiated a merger squeeze-out process, which was completed in February 2021. As a result, the former RENK AG was merged into the Issuer as the surviving entity and the Sponsor indirectly acquired 100% of the former RENK Group.

In March 2021, the Issuer agreed to acquire the Target Business, a leading supplier of tracked combat vehicle propulsion systems in the United States.

Business Units

The Group is divided into four business units: Vehicle Transmissions, Special Gear Units, Standard Gear Units and Slide Bearings.

Each of the Group's business units primarily manages their own manufacturing and core business processes from logistics through to production and sales. However, the business units share, to a certain extent, R&D, manufacturing and testing facilities, as well as the support of various Group functions, such as finance, HR, IT and legal and compliance. Each of the business units sells to both third-party customers and to other business units.

Vehicle Transmissions

The Vehicle Transmissions business unit is one of the global innovation and technology leaders for fully automatic transmissions for medium- and heavy-weight tracked vehicles as well as a leading manufacturer of test rigs for various industrial end-markets.

The Group produces fully automatic transmissions, suspension systems (through Horstman), final drives and tailored products for armored vehicles with a weight of 25-70 tons and up to 1.8k hp. The Group's automatic power-shift transmissions are suitable for rear or front installation with all modern diesel engines. The Vehicle Transmissions business unit also supplies test systems and rigs (*e.g.*, load, torque and durability tests) to customers in a range of industrial end-markets, including the defense, aviation, rail and wind markets. These include turnkey test systems for R&D, production and quality assurance of products in the automotive, railway, aviation and tracked vehicle industries as well as for drive trains in wind turbines. The acquisition of the Horstman Group on April 16, 2019, allows the Group to further expand the Vehicle Transmissions business' portfolio and systems expertise and to strengthen its global presence. Horstman continues to operate independently as its own sub-unit within the Group and will develop new mobility solutions in collaboration with the Group. The Group's strong Order Backlog development in the Vehicle Transmissions business unit is expected to continue to remain on high levels in the medium term. Recent orders secured in the Vehicle Transmissions business unit include transmissions for the Leopard 2, the K2 main battle tank, the Boxer and the Lynx Hungary.

In the twelve month period ended December 31, 2020, the Vehicle Transmissions business unit generated 43.3% of the former RENK AG Group's *as if* total sales revenue and 71.0% of the former RENK AG Group's *as if* operating profit (before inter-business unit consolidation). As of and for the three month period ended March 31, 2021 the total Order Intake and Order Backlog for the Vehicle Transmissions business unit amounted to approximately €82.3 million and approximately €646.7 million, respectively.

Special Gear Units

The Special Gear Units business unit is a leading supplier of stationary gear units, high-speed gear units and complex gear units primarily for naval applications, fast ferries, and mega-yachts. The product range extends from stationary gear units for a variety of industrial applications, including the cement, energy and petrochemical sectors, to high-speed gear units with up to 140 MW of transmission power and complex gear units for fast ferries and naval applications such as frigates, corvettes and patrol vessels with up to 100 MW of transmission power. The Group manufactures products for the Special Gear Units business unit at its production facilities in Augsburg, Germany, and Winterthur, Switzerland. The Group is well placed to execute projects in the Navy gearboxes pipeline based on its strong engineering capabilities. In addition, the Group's strong Order Backlog development in the Special Gear Units business unit is expected to continue to remain on high levels in the medium term. Recent Navy orders secured in this business unit include the British Type 31E, the Italian FREMM and the South Korean FFX III vessels.

In the twelve month period ended December 31, 2020, the Special Gear Units business unit generated 30.5% of the former RENK AG Group's *as if* total sales revenue and 8.7% of the former RENK AG Group's *as if* operating profit (before inter-business unit consolidation). As of and for the three month period ended March 31, 2021, the total Order Intake and Order Backlog for the Special Gear Units business unit amounted to approximately €41.5 million and approximately €342.3 million, respectively.

Standard Gear Units

The Standard Gear Units business unit, located in Rheine, Germany, is a technology player with a market-leading position in large single and twin engine marine gear units. It specializes in the production of gear units for ships, particularly for merchant ships, ferries, LNG/LPG tankers and supply vessels. The business unit also manufactures gear units for sectors including energy generation, oil & gas, and others. In addition to gearboxes, the Standard Gear Units business unit manufactures couplings for various industrial applications including energy generation, oil & gas, steel production, mining, and marine.

In the twelve month period ended December 31, 2020, the Standard Gear Units business unit generated 12.5% of the former RENK AG Group's *as if* total sales revenue and 1.3% of the former RENK AG Group's *as if* operating profit (before inter-business unit consolidation). As of and for the three month period ended March 31, 2021, the total Order Intake and Order Backlog for the Standard Gear Units business unit amounted to approximately €13.9 million and approximately €45.1 million, respectively.

Slide Bearings

The Slide Bearings business unit is the global leader in E-bearings for electrical machines. At its production site in Hannover, Germany, the Group manufactures hydro-dynamically lubricated slide bearings specifically designed for propeller thrust absorption, heat dissipation, heavy-duty performance and electrical current protection. The Group's slide bearings are used for electric motors, generators, pumps, blowers, water turbines, and conveyors. The respective end-markets include marine, energy generation, and mechanical/plant engineering.

In the twelve month period ended December 31, 2020, the Slide Bearings business unit generated 15.2% of the former RENK AG Group's *as if* total sales revenue and 19.0% of the former RENK AG Group's *as if* operating profit (before inter-business unit consolidation). As of and for the month ended March 31, 2021, the total Order Intake and Order Backlog for the Slide Bearings business unit amounted to approximately €23.0 million and approximately €38.1 million, respectively.

The Target Business

The Target Business comprises the combat propulsion systems unit of L3Harris Technologies, Inc. and L3 Magnet Motor GmbH. Its activities comprise the development, manufacture and after-sales services for tracked combat vehicles as well as hybrid drive systems for tracked and wheeled military vehicles as well as marine vessels. The combat propulsion systems unit is a leading supplier of transmissions and engines for the US and international armored vehicles markets. Its product portfolio comprises hydro-mechanical powered transmissions, diesel engines for tracked combat vehicles and turret drive systems. L3 Magnet Motor GmbH is a leader in the development, design and manufacturing of high-performance electric power supplies and hybrid drive systems for military use.

The Target Business was formed through the acquisition of the Muskegon transmission plant from General Dynamics Land Systems and L3 Magnet-Motor GmbH in 2006 and is headquartered in Muskegon, Michigan with a further production facility in Starnberg, Germany. In the fiscal year ended January 1, 2021, the Target Business generated revenue from product sales and services and income before income taxes of $233,295 thousand and $62,877 thousand, respectively. As of and for the fiscal quarter ended April 2, 2021, the total Order Intake and Order Backlog for the Target Business amounted to approximately $19 million and $343.6 million, respectively.

Transmissions

The vehicles transmissions business represented approximately 73% of the Target Business's revenue from product sales and services in the fiscal year ended January 1, 2021. Approximately 89% thereof related to new system sales whereas the remainder related to aftermarket sales and services. Key platforms in the transmissions business include the Bradley Fighting Vehicle (customer: US Army), a tracked fighting vehicle platform, the Armored Multi-Purpose Vehicle (customers: US Army and BAE Systems), an armored personnel carrier and the Paladin Integrated Management (PIM) program (customer: US Army), a self-propelled howitzer upgrade program.

The transmissions business serves an installed base of approximately 6,600 transmissions, ensuring a significant ongoing service and spare-parts demand. The Group believes, that following the completion of the Acquisition, the Target Business's transmission business will provide growth potential by increasing its exposure to the US medium-weight class market.

Engines

The engines business represented approximately 22% of the Target Business's revenue from product sales and services in the fiscal year ended January 1, 2021. Approximately 47% thereof related to new system sales and services whereas the remainder related to aftermarket sales and services. Key platforms in the engines business include the M88A2 (customer: US Army), an armored recovery vehicle, the NAMER (customer: Israel Ministry of Defense), an armored personnel carrier and the Merkava I and II (customer: Israel Ministry of Defense), a main battle tank.

The Group estimates that the engines business serves an installed base of approximately 9,800 engines, offering a large addressable market for aftersales services. In addition, the engine business complements the Group's existing Vehicle Transmissions business segment and extends the product portfolio to engines, thereby creating potential for cross-selling.

Hybrid Drive Systems

The hybrid drive systems business represented approximately 5% of the Target Business's revenue from product sales and services in the fiscal year ended January 1, 2021. Approximately 95% thereof related to new system sales whereas the remainder related to aftermarket sales and services. It mainly engages in engineering for hybrid solutions for land vehicles. In addition, the magnet motors and generators produced by the hybrid drive systems business are also used in marine vessels. It also has one production order for the Hawkei (customer: Thales), a light, wheeled protected vehicle.

The Group believes that the hybrid drive systems business is well-placed to capture the industry trend towards increased power generation given the use of more complex electronic systems. In addition, the installed base of approximately 1,100 Hawkeis is expected to become a source of aftermarket sales.

Services

Each of the Group's business units and the Target Business has an after-sales team which is responsible for providing services to the Combined Group's customers from the time the customer receives a delivery of the Combined Group's products. These teams are responsible for general communications with customers on after-sales service-related issues. These teams are located in multiple locations throughout the Combined Group's markets, which puts them into closer contact with the Combined Group's customers. The teams provide advice to customers on necessary maintenance procedures and supply spare parts through a stock management program that allows frequently required spare parts to be delivered on short notice. In addition, there are dedicated field service engineers in each of the Combined Group's business units that perform maintenance work for the Combined Group's customers.

The Combined Group's significant global presence allows it access to recurring earnings on the back of certain predictable service intervals. For instance, regular, light-touch maintenance is typically conducted on a bi-annual basis. The Combined Group believes it has the potential to capture only some of these sales revenue, with smaller services typically being conducted by customers in-house. In addition, change of spare parts and major overhauls are typically conducted at 5 and 10 year intervals, respectively, and the Combined Group believes it has the potential to capture a significant proportion of those sales revenue.

The Combined Group benefits from a large installed base with a focus on vehicles transmission and engines, which the Group estimates represent approximately two thirds of the Combined Group's installed base. Each of the Combined Group's business units has its individual after-sales strengths. The Vehicle Transmissions business unit has the technological expertise to service its installed base. In addition it is recognized for the high quality service it delivers and its footprint is in close proximity to its core addressable markets. The Special Gear Units business unit is a certified supplier of Navy equipment and has strong relationships with some OEMs who, in turn, have a large support network as well as end-market customers. The Standard Gear Units business unit has knowledgeable field service engineers with strong technical capabilities and is a preferred supplier for spare parts. The Combined Group also has established local networks in growth markets such as the United States, China and India. Finally, the Slide Bearings business unit has strong relationships with many OEMs. The Combined Group's business units are supported by a global network of service hubs located in close proximity to its core addressable markets and customers.

Competition

The Combined Group's capability is built on maintaining a leading technological position in individual application areas, its global presence in relevant markets and service quality tailored to the needs of the Combined Group's international customers. Competition varies by product type. The market for standard products is characterized by significant competition, due to the maturity of the market, customer consolidations and rationalizations and potential over-capacity. The market for application-based products is characterized by higher customer demand for quality service and for products with a long operational life.

In the Vehicle Transmissions business unit, the Group's primary competitors include Ashot, ST Engineering, Allison Transmission, SAPA, David Brown Santasalo, General Kinetics and, in the future potentially, ZF.

In the Special Gear Units business unit, the Group's primary competitors include ZF, Naval Group, Reintjes, Flender, Abex, Voith Turbo, David Brown, Santasalo and Philadelphia Gear.

In the Standard Gear Units business unit, the Group's primary competitors include Wärtsilä, Flender, Reintjes, KTR, Jaure, and Voith Turbo.

In the Slide Bearings business unit, the Group's primary competitors include Miba, Hunan Sund, Kingsbury, Inc., Blohm + Voss and British Engines Group.

Primary competitors of the Target Business include Allison Transmissions and SAPA in the transmissions business and Cummins, Inc and MTU in the engines business.

Customers

The Combined Group's products are deployed in various end-markets including defense, marine, energy generation (conventional, hydro and wind), and oil & gas. Excluding test systems, the primary end-market for the Vehicle Transmissions business unit and the Target Business is the defense sector. Customers include the US Army, the US Marine Corps, the Australian Army, the German Navy, the Government of Israel, the Royal Saudi Land Forces, the Singapore Army and the Swedish Navy. The end-markets for the Special Gear Units business unit primarily include Navy, energy generation, plastic production, cement production, oil & gas, and other sectors. The end-markets for the Standard Gear Units business unit primarily include the civil marine, energy generation and oil & gas sectors. The end-markets for the Slide Bearings business unit are the marine, energy generation and mechanical / plant engineering sectors. In addition to new product sales, the Combined Group generates a significant portion of its revenues through recurring aftermarket and service offerings by leveraging its large and growing installed base across the entire product portfolio.

R&D

While the technology used in many of the Combined Group's products is well-established, the end-user market demands ongoing improvements and development of more specialized application-based products, which require considerable R&D efforts and expertise. The Combined Group's goal is to maintain and expand its leading technological positions in key areas. R&D plays an ever more prominent role in this. Most of the products in the Combined Group's range have long lifecycles, so in addition to new developments within and outside the existing product lines, the Combined Group's innovation efforts mainly focus on progress that benefits customers. In addition, development of the Combined Group's more customized products is carried out in cooperation with the Combined Group's customers in order to meet specified requirements. The former RENK AG Group incurred *as if* €14,964 thousand in R&D Costs in the twelve month period ended December 31, 2020 for the development of new and existing products and technology. In addition, the Group conducts similar research and development activities on an order-specific basis depending on its customers' demands and needs. These costs are recognized within the Group's cost of sales and are assigned to the respective customer order. These costs amounted to approximately 1.5 times the former RENK AG Group's *as if* R&D Costs in the twelve month period ended December 31, 2020. The Target Business incurred research and development costs of approximately $8 million and $5 million in the fiscal years ended January 1, 2021 and January 3, 2020, respectively.

As of December 31, 2020, the Combined Group had 420 employees dedicated to R&D and design, with more than 240 located in Germany.

Continuous investments in R&D and technology is a must for innovative solutions. The Combined Group is responding to the technological trends towards (a) electrification—stringent regulation and changed customer behavior are increasing the demand for electric or hybrid solutions as well as supplementary products; (b) digitalization—the Combined Group's customers are demonstrating an acceptance and demand for options to transmit product as well as maintenance and service data digitally and to optimize engineering and production processes; and (c) lighter, more compact solutions—to allow for extra weight for new components such as sensors, mission and communication systems. The Combined Group offers a range of innovative solutions for electric- and hybrid propulsion systems for marine applications, including:

- *AED (Advanced Electric Drive):* A fully electric drive well-suited for low-noise marine applications;
- *MARHY® hybrid drive:* An innovative drive concept which enables ships to provide an alternative drive mode and reduce emissions in electric drive mode, in addition, it can also be used to provide additional electric power;
- *Hybrid propulsion systems:* A hybrid system combining different prime movers such as diesel engines, gas turbines and electrical motors;
- *IFPS (Integrated Front-end Power System):* A PTO (power-take-off) hybrid solution for two-stroke vessels, which can be directly mounted to the engine's front-end and thereby offer a compact solution for electric power generation; and
- *Integrated Starter Generator and Integrated Power Supply:* An intelligent power generation for modern military vehicles, which require more electric power on board.

The Group has also developed sophisticated digital solutions as well as training procedures to help its customers to increase the efficiency and reliability of gearboxes. The Group has developed the RENK VIB-Monitor which is an intelligent status monitoring system for gearboxes allowing efficient maintenance planning. Further, the Group's collaboration with Modest Tree allows for a comprehensive offering of virtual- and augmented reality solutions, for example, for customer trainings.

The Combined Group cooperates with various universities and research institutes, not to mention industry partners, on individual projects to help share technological developments.

In the twelve month period ended December 31, 2020, R&D Costs of the former RENK AG Group amounted to *as if* €14,964 thousand for new products and the enhancement of existing products. Similarly, in the fiscal year ended December 31, 2019, R&D Costs of the former RENK AG Group amounted to €13.7 million.

Vehicle Transmissions. This business unit's activities focused on cooperation with system providers for the integration of the Group's transmissions into vehicle concepts. Ongoing development of individual transmission components also continued in 2020. Various measures were also in place to optimize products and costs.

The development activities of the Group's test rig business are closely geared towards the specific requirement profiles of the respective customer's application.

Special Gear Units. In the past, this business unit developed the AED (Advanced Electric Drive) for maritime applications, which can be used as a primary or auxiliary drive for low-noise drives. The first systems have been delivered and are proving reliable. This business unit is working continuously on the ongoing development of this technology to tap into additional marine applications in fields not previously accessible to the Group. Activities also center around optimizing products and processes in order to manage increasing competition and price pressure.

In addition to the ongoing development of established concepts, work focused on achieving market readiness for high-efficiency, variable turbo gear units with a competitive cost structure. Also, a new gear unit was designed for the plastics industry that extends the Group's product range in this field. The advancing integration of electrical and mechanical drive technology is reflected in many developments.

Standard Gear Units. This business unit concentrated on the development of couplings, both with a view to the development of couplings for new areas of application as well as to the cost optimization and further standardization of existing products. In addition, the business unit developed transmission solutions for the steel industry and further improved existing electro-mechanical components for maritime two-strike engines.

Slide Bearings. As in previous years, development activities in this business unit focused on process improvements for different coating technologies. In addition, the Slide Bearings business unit is developing new bearings to enter the wind energy market and tilting pad bearings for high-speed machine applications.

Target Business. The engines business unit's activities focused on cooperation with system providers for the integration of the Target Business's engines into tracked vehicles over 50 tons. Ongoing development activities continue in support of developing higher horsepower engine products, in support of various domestic and international opportunities.

Intellectual Property

The Group

The Group applies for patents in appropriate jurisdictions to protect its intellectual property, which is often the result of the Group's R&D activities. The Group currently has patents and pending patent applications in Germany and other countries. As of the date of this Offering Memorandum, the Group has patents, trademarks and design rights registered in more than 40 jurisdictions. While these patents and patent applications are important to the business, the Group does not believe any individual patent is critical to the Group's overall business. The Group also protects certain confidential information and know-how as trade secrets where the Group believes their use offers it advantages over others in the market. Some of the technology the Group uses is owned by others and used under license. The Group believes that it owns or licenses, or could obtain on reasonable terms, any intellectual property rights needed to conduct its business. Furthermore, the Group relies on certain trademarks for its business, such as the RENK logo trademark.

Pursuant to a service contract, MAN Energy Solutions SE is responsible for the administration and maintenance of the Group's intellectual property rights until June 30, 2021. The Group is currently in the process of engaging outside legal counsel for any services MAN Energy Solutions SE is currently providing to the Group.

The Target Business

The Target Business does not routinely develop and file patents for its transmissions and engines businesses driven by limited application of its own technology. In addition, the US government typically requires government purpose or unlimited rights to the Target Business's products, thereby limiting the economic benefit of filing for patent production. Accordingly, the Target Business's patent portfolio predominantly relates to its hybrid drive systems business. The Target Business patents are mainly registered in the United States, Germany and certain other European jurisdictions. In addition, the Target Business uses the Magnet Motor logo for its hybrid drive systems business. However, neither the Magnet Motor name nor logo are protected or registered.

Sales and Marketing

The Combined Group's global sales and marketing force comprises more than 150 own sales representatives and additionally third-party sales agents across the globe. The Combined Group has multiple points of contact with potential sales customers: directly—the Combined Group has direct, long-standing business relationships with major OEMs, public authorities, end-users and packagers; through agents—the Combined Group has a worldwide presence of agents for all product groups in order to benefit from their network and minimize sales costs; and through OEMs and / or prime contractors—acting as general contractors who buy all components for the entire plant or end-product.

Environmental, Health and Safety Matters

The Group is committed to providing the highest quality products and services to its customers, while minimizing its impact on the environment, striving for energy and resource efficiency and operating in a manner that is in compliance with applicable law. A groupwide code of conduct governs topics such as human rights, equal opportunities, product safety, environmental protections and compliance with applicable laws. The Group also has a separate code of conduct for its suppliers, which governs areas like human rights, equal opportunity, sustainability and climate protection as well as product safety. The Group monitors compliance with this code of conduct through supplier audits.

Environmental Matters

The Group has made a commitment to making progress in terms of energy efficiency, carbon footprint and waste/gas management and is committed to using resources carefully and sustainably. The Group focuses on a careful selection of raw materials and the efficient use of resources. The Group also promotes the decarbonization of the industry.

In this context, the Group tracks the energy consumption of its German plants, the water consumption of its main plant in Augsburg as well as the volume of hazardous and non-hazardous waste produced by the Group's German plants. In the fiscal year ended December 31, 2020, the energy consumption of the Group's German plants was 64,403 MWh. While the Group does not track CO2 emissions and has no specific target to reduce greenhouse gases, it has entered into agreements to source the electricity and gas used at the Group's German plants from CO2-neutral sources going forward. Water consumption at the Augsburg plant was 35,200m^3 in the fiscal year ended December 31, 2020. The Group produced 36,403 tons of non-hazardous waste in the fiscal year ended December 31, 2020 (thereof approximately 33,000 tons to landfill). The hazardous waste volume was 5,328 tons (thereof approximately 4,900 tons to landfill), largely driven by the excavation work for the new production hall at the Group's Augsburg site.

The Combined Group's facilities and operations are subject to environmental occupational health and safety laws and regulations in each of the jurisdictions in which the Combined Group operates. These laws govern, among other things, discharges of pollutants into the air, water and land, the use, storage and disposal of hazardous substances and waste, and the cleanup of contaminated properties. The Group's certified environmental management system in accordance with DIN EN ISO 14001 at the Augsburg, Hanover and Winterthur sites ensures that key environmental aspects such as energy efficiency are taken into consideration, contributing to active resource management.

At the Hanover site, a new surface coating system was installed and commissioned. The new system and thus the coating process as a whole use far less energy and fewer coating and base materials than the current coating procedures. Another focus was on preventive measures to reduce energy consumption by reducing the need for air conditioning at the site.

For all investments, the Group takes environmental matters into consideration. For example, as part of renovating a section of the building at the Rheine site, insulation for the walls and the roof was refurbished and upgraded to meet the latest technical standards. The heating system for this area was converted to a modern heat pump and gas heating setup, which resulted in a reduction of energy consumption by 20%.

The Group also focuses on environmentally friendly, advanced and efficient technologies, which it implements through the entire life cycle of its products. Starting with the early phases of development and production, the Group seeks to ensure that it manages natural resources carefully. An example of a product including advanced and efficient technologies are high efficiency gear boxes, which utilize vacuum technology.

Health and Safety Matters

The Group's operations are subject to a wide range of health and safety laws. The authorities in the countries where the Group operates set standards in the form of legislation, regulations and specific requirements. The Group's code of conduct requires the Group to continuously monitor standards in the areas of health and safety and to implement improvements on an ongoing basis. We have also set specific targets in each of these areas.

The Group reported no fires, explosions or other disasters resulting in significant property damage or causing interruption to normal business in the year ended December 31, 2020. Additionally, no unauthorized releases to the environment requiring disclosure to legal authorities occurred.

Employees

As of December 31, 2020, the Group employed 2,593 people (December 31, 2019: 2,569) and had 55 subcontracted employees (December 31, 2019: 68). Additional employees were hired in 2020 as a result of new challenges (*e.g.,* ongoing internationalization and digitalization). Since 2019, a key focus of the Group's hiring strategy has been the communication of the Group's expertise and culture to new employees in order to expand the Group's expertise in various sectors. The number of employees in Germany was 2,210 as of December 31, 2020 (December 31, 2019: 2,205) and abroad was 383 as of December 31, 2020 (December 31, 2019: 364).

From time to time, the Group measures employee satisfaction through surveys and it believes that the relationship with its employees is generally good. Employee turnover was 2.34% in the fiscal year ended December 31, 2020 and the average period of employment was approximately 15 years as of December 31, 2020.

As of December 31, 2020, the Target Business employed 403 people (December 31, 2019: 336). The number of employees in the United States was 359 (December 31, 2019: 300) and outside the United States was 44 (December 31, 2019: 36).

Pension Liabilities

The Group grants its employees retirement benefits in accordance with the country-specific circumstances in the form of defined benefit or defined contribution pension plans. In defined contribution plans, contributions are paid to state or private pension funds on the basis of legal or contractual regulations. There are no further payment obligations other than the payment of contributions.

For example, under the pension plan scheme in Germany, the Group's active domestic employees receive employer contributions linked to their remuneration and, in addition, also have the option of personal provision through deferred compensation (paid for by the employer for employees subject to collective bargaining agreements). In Switzerland, the defined benefit pension claims and the actuarial reserves are managed in industry-wide company pension institutions. In France, obligatory post-employment obligations are paid.

The present value of RENK Holding GmbH Group's defined benefit obligations as of December 31, 2020 was €196.0 million compared to €181.6 million for the former RENK AG Group as of December 31, 2019. RENK Holding GmbH Group's plan assets as of December 31, 2020 were €179.9 million compared to €167.3 million for the former RENK AG Group as of December 31, 2019. As of December 31, 2020, RENK Holding GmbH Group's provisions for pension obligations amounted to €16.0 million. For additional information, see Note 21 of RENK Holding GmbH's audited consolidated financial statements as of and for the short fiscal year ended December 31, 2020. The Group's pension plan assets are managed by third-party investment funds. While the Group prescribes the general investment strategies applied by these funds, the Group does not determine their individual investment securities or alternatives. The pension plan assets are invested in various asset classes, including equity, fixed-income securities, real estate and other investment vehicles.

Prior to the Acquisition, the employees of the Target Business are part of the Seller's Combat Propulsion Systems Pension Plan (the "**CPS Pension Plan**"). Upon closing of the Acquisition, the CPS Pension Plan will remain with the Seller. However, under the Acquisition Agreement, the Issuer has undertaken to establish a pension plan for those employees of the Target Business, which are subject to a collective bargaining agreement, who currently accrue benefits under the CPS Pension Plan. This new pension plan shall at least reflect the terms of the current collective bargaining agreement in place between the Seller and certain of the employees of the Target Business.

Insurance

As part of the Combined Group's ongoing business, the Combined Group purchases insurance coverage for many categories of risk, to the extent the Combined Group considers appropriate or otherwise required by applicable law, including general liability, marine cargo, certain project-based construction risks (including new buildings) and property insurance.

Production Facilities

The following table sets out certain information related to the Combined Group's production facilities:

Location	Product Focus	Owned/Leased
Augsburg, Germany	Special gear units (Navy, high-speed, extruder and mills), vehicle transmissions, test systems	Owned
Hanover, Germany	Slide bearings, couplings	Owned
Rheine, Germany	Standard gear units (marine, stationary high-speed and industrial), couplings	Owned
Starnberg, Germany	L3 Magnet Motor GmbH	Leased
Winterthur, Switzerland	Special gear units, couplings	Leased
Saint-Ouen-l'Aumône, France	Vehicle transmissions	Owned
Bath, United Kingdom	Suspension systems	Owned
Sterling Heights (MI), USA	Suspension systems	Leased
Muskegon (MI), USA	Combat vehicle propulsion systems	Owned

The Group's three core manufacturing plants are located in Germany (Augsburg, Rheine and Hanover). The Group's manufacturing plants are well-invested with little excess investment requirements and offer technically strong and very versatile production capabilities as well as strong integration of ERP (SAP) in production. Some of the Group's production facilities include an in-house hardening and heat treatment shop with particular focus on large gearboxes.

The Target Business's main manufacturing plant is located in Muskegon (MI), United States and features fully integrated manufacturing capabilities for both military transmissions and engines and two test tracks meeting US Army standards. The Target Business's hybrid drive systems and electric power supplies business is located in Starnberg, Germany, where it operates a fully integrated site covering design, prototyping, series manufacturing and testing operations.

In addition to the Combined Group's production facilities above, the Combined Group has subsidiaries or branches in the Netherlands. United States, Canada, Brazil, Turkey, United Arab Emirates, India, China, Japan and South Korea.

Legal and Arbitration Proceedings

From time to time, the Combined Group is involved in legal proceedings arising in the normal course of its business. The Combined Group does not expect that any of these proceedings, either individually or in the aggregate, will result in a material adverse effect on the Combined Group's consolidated financial condition or results of operations.

REGULATORY

Export controls

Overview

The Group's business is subject to strict export control regulations. In the EU and Germany, the foreign trade of commodities of strategic importance, mainly weapons, armaments and dual-use items, is subject to restrictive control regimes and permit requirements. As a principle, export control regulations applicable in Germany cover three different types of security relevant products: the export of dual-use items (*Güter mit doppeltem Verwendungszweck*), the export of military equipment (*Rüstungsgüter*), and the export of war weapons (*Kriegswaffen*). Different licensing procedures apply to each of these products—depending on the applicable category of goods, which are specified in respective lists of goods (*Güterlisten*). Goods designed exclusively for civil use are in principle free of export control restrictions. In the United States, export control regulations related to defense-related items are administered and enforced by the US Department of State, whereas export control regulations related to commercial, dual-use, and certain defense-related items are administered and enforced by the US Department of Commerce.

Dual-Use Export Control Regime

Dual-use items are goods, software and technology that can be used for both civilian and military applications. The EU export control regime for dual-use items is governed by Regulation (EC) No 428/2009 as last amended by Regulation (EU) 2020/2171 ("**Dual-Use Regulation**"), which provides for common EU control rules, a common EU dual-use items list and harmonized policies for implementation. Under the EU regime, the export of dual-use items is subject to control and dual-use items may not leave the EU customs territory without an export authorisation. The Dual-Use Regulation is binding and directly applicable throughout the EU. EU Member States nevertheless need to take certain measures for implementing of some of its provisions, *e.g.,* in relation to breaches and applicable penalties.

On May 10, 2021, the Council of the European Union adopted a new regulation on dual-use items. After the European Parliament and the Council signed the adopted regulation, it was published in the EU Official Journal and will enter into force 90 days later at which point Regulation (EC) No 428/2009 will be repealed. The objective of the new regulation is to modernize the EU system for the control of exports, brokering, technical assistance, transit and transfer of dual-use items. The new regulation will apply to a wider range of emerging dual-use technologies and it will introduce due diligence obligations for producers. Furthermore, the new regulation is intended to strengthen coordination between the EU and partner countries through more convergent approaches to export controls at global level.

In Germany, besides the Dual-Use Regulation, export control of dual-use items is governed by the Foreign Trade and Payments Act (*Außenwirtschaftsgesetz*, "**AWG**") and the Foreign Trade and Payments Ordinance (*Außenwirtschaftsverordnung*, "**AWV**"), among other provisions. Export authorizations are generally granted by the Federal Office of Economics and Export Control (*Bundesamt für Wirtschaft und Ausfuhrkontrolle*, "**BAFA**").

German Control System for Military Equipment and War Weapons Exports

The AWG and AWV require the licensing of all military equipment exports. The military equipment is listed in full in Part I Section A of the so-called Export List (*Ausfuhrliste*) which is the first annex to the AWV. It is divided down into 22 positions (No. 0001 to No. 0022) that have their own sub-divisions. In accordance with the principle of the freedom of external economic transactions, on which the systematic approach of the AWG is based, the applicant has a fundamental right to the issuance of an export license, unless a license may be denied because of a violation of interests protected under the AWG. The application of export regulations by the BAFA is subject to a broad and rather political discretion, which was redefined by the Federal Government in 2019 within the framework of the so-called Political Principles of the Federal Government for the Export of War Weapons and Other Military Equipment (*Politische Grundsätze der Bundesregierung für den Export von Kriegswaffen und sonstigen Rüstungsgütern*).

Some of the military equipment articles falling under the Export List are also war weapons as defined by Art. 26(2) of the Basic Law (*Grundgesetz*) and by the War Weapons Control Act (*Kriegswaffenkontrollgesetz,* "KrWaffKontrG"). Pursuant to the KrWaffKontrG, war weapons are items, substances or organisms that are capable alone or in conjunction with each other or with other items, substances or organisms of causing disruption or damage to persons or things and of being used as a means of violence in armed conflicts between states. They are listed in the 62 positions of the War Weapons List (*Kriegsgwaffenliste*) which is the annex to the KrWaffKontrG. For the export of these weapons, a license must be obtained under the KrWaffKontrG (transport authorisation for the purpose of export), and additionally an export license pursuant to the AWG and AWV.

In the case of the movement of goods between EU member states, the movement (*Verbringung*) from Germany may be subject to licensing under both European and national foreign trade law. Furthermore, under European law, movements which require a license are subject to a documentation requirement, while shipments which do not require a license are subject to an information requirement. A license is required, *inter alia*, if (i) the goods are listed in Annex IV of the Dual-Use Regulation, (ii) the goods are listed in Part I Section A of the Export List, (iii) the goods are listed in Part I Section B of the Export List (which contains a list of additionally national covered dual-use items) and the final destination is outside the EU. Furthermore, a license may be required if the goods are or may be intended, in their entirety or in part, for the construction or operation of a plant or for incorporation into a plant for nuclear purposes.

Restrictions on the export of goods may also exist due to embargoes. Embargoes can be imposed for foreign or security policy reasons and restrict freedom of foreign trade with respect to certain countries. Depending on the scope of the restrictions, three types of embargoes can be distinguished: Total embargoes, partial embargoes, and weapon embargoes.

US Export Controls

In the United States, the US Department of State's Directorate of Defense Trade Controls ("**DDTC**") administers and enforces the International Traffic in Arms Regulations ("**ITAR**"). DDTC administers the ITAR pursuant to the Arms Export Control Act ("**AECA**"), a statute that authorizes the President of the United States to control the temporary import and the export of defense articles and the provision of defense services. Accordingly, the ITAR define what it means for something to be a "defense article" or a "defense service," define what is "technical data," and regulate the export and re-export of covered articles, services, and technical data, including by imposing licensing requirements. An export license is required under the ITAR for the export of ITAR-controlled technical data or any defense article on the United States Munitions List ("**USML**," Part 121 of the ITAR) to any destination, with certain narrow exemptions. The term "export" under the ITAR is defined broadly to include not only physical exports from the United States but also domestic transfers of technical data to non-US persons. Similarly, prior licensing from DDTC is typically required to provide ITAR-controlled "defense services."

Separately, the US Department of Commerce's Bureau of Industry and Security ("**BIS**") administers and enforces the Export Administration Regulations ("**EAR**"), which are export control regulations promulgated pursuant to the Export Control Reform Act of 2018. The EAR restrict the export, reexport, and in-country transfer of commodities, software, and technology (collectively, "**items**") controlled under the EAR, including items enumerated on the Commerce Control List ("**CCL**," Part 774 of the EAR). Typically, an item is regulated under the EAR if it is located in the United States (regardless of its country of origin) or if it is of US-origin (regardless of its location). Also, an item located outside the United States may be regulated under the EAR if it incorporates more than a small amount of controlled US-origin content, or if it is the "direct product" of sensitive US-origin technology. In certain cases, parties must obtain prior licensing from BIS to export, reexport, or transfer (in-country) an EAR-regulated item. Whether such licensing is needed typically will depend on the item's export control classification, its country of destination, and the parties to the transaction.

Customs laws

The Group's business is also subject to international and national customs laws. Regulation (EU) No 952/2013 lays down the Union Customs Code ("**UCC**"). The UCC entered into force on May 1, 2016 and defines the legal framework for customs rules and procedures in the EU customs territory, adapted to modern trade models and communication tools. In parts, there remains room for national provisions. In Germany, these are predominantly based on the regulations for financial administration, in particular in the Fiscal Code (*Abgabenordnung*).

The former RENK AG held several authorizations under the UCC which were granted by the German customs authorities (e.g., status as Authorised Economic Operator—AEO, Approved Exporter—EA). Following the merger of the former RENK AG with the Issuer, the Issuer has re-applied for these authorizations. As holder of the different authorizations the Group will be deemed to meet supply chain security standards, and will be entitled to access certain simplified customs procedures.

SHAREHOLDERS

The Issuer was incorporated as Rebecca BidCo GmbH on January 2, 2020 in connection with the Original Transactions. Investment funds managed and/or advised by Triton, indirectly hold 100% of the shareholding of the Issuer.

Founded in 1997, Triton is a leading private equity investment firm in the German-speaking and Nordic regions with 12 offices including Jersey, London, Frankfurt, Stockholm, Luxembourg and Shanghai. Its investment philosophy is focused around building better businesses and producing superior investment returns based on operational improvement and "buy and build" value-creation strategies. Triton's current portfolio comprises 49 companies in Europe with combined sales of approximately €17.7 billion and over 102,000 employees. The management teams and businesses of Triton partners have to date completed more than 370 add-on acquisitions. Triton seeks to invest in market-leading companies with strong long-term prospects in its core sectors of industrial manufacturing, business services and consumer/health services.

MANAGEMENT

The Issuer is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated under the laws of Germany. The Issuer is managed by its managing directors, who are appointed by the supervisory board (*Aufsichtsrat*). The rights and duties of the managing directors are subject to applicable German law and the resolutions of the shareholders' meeting.

The articles of association of the Issuer provide that the Issuer shall have at least two managing directors. Two managing directors acting jointly, or one managing director together with a holder of a statutory power of attorney (*Prokurist*) may act on behalf of the Issuer.

The principal objects of the Issuer are the development, production and distribution of drive technology products and general engineering products. The Issuer is permitted, *inter alia*, to establish, acquire or hold investments in similar or different companies and to establish agencies, branches and subsidiaries both within the Federal Republic of Germany and abroad.

Management

The Issuer has the following managing directors (*Geschäftsführer*):

Name	Age	Responsibility	Other principal positions outside the Group
Susanne Wiegand	48	Managing Director and Chief Executive Officer (CEO)	None
Winfried Vogl	62	Managing Director and Chief Financial Officer (CFO)	None

Ms. Susanne Wiegand was appointed Managing Director and Chief Executive Officer in May 2021. She holds a degree in business administration from the University of Frankfurt. Before joining the RENK Group, Ms. Wiegand was member of the Management Board—Rheinmetall Defence and President of the Electronic Solutions Business at Rheinmetall AG (Bremen). She started her career as consultant at Diebold Deutschland GmbH (Eschborn). Thereafter, she was Senior Vice President Business Development at T-Systems International GmbH (Frankfurt), Management Consultant for projects at Fresenius, Daimler und ThyssenKrupp as well as Senior Vice President and Head of Strategy, Business Development and M&A at ThyssenKrupp Marine Systems GmbH (Hamburg). From 2007 to 2018, Ms. Wiegand was Managing Director of NOBISKRUG GmbH, German Naval Yards Kiel GmbH and Lindenau Werft GmbH, each German Naval Yards.

Mr. Winfried Vogl was appointed Managing Director and Chief Financial Officer in February 2021. Mr. Vogl holds a degree in business administration from the University of Regensburg. He has been with the RENK Group since 2008 and, prior to his appointment as CFO, was responsible for finance, controlling and order processing at the RENK Group. Prior to joining the RENK Group, Mr. Vogl was head of Group Controlling at Staedtler GmbH & Co. KG (Nürnberg), Commercial Director at Porzellanfabrik Mitterteich AG (Mitterteich) and Commercial Director at C. K. Siebenwurst GmbH & CO KG (Dietfurt).

Supervisory Board

The supervisory board of the Issuer (the "**Supervisory Board**") currently consists of twelve members, out of which six are elected by the Issuer's shareholders at the general shareholders' meeting by the required simple majority of the votes cast. The other six members of the Supervisory Board are the employee representatives elected on the basis of the German Co-Determination Act (*Mitbestimmungsgesetz*), by employee delegates or directly by the employees. In accordance with the German Co-Determination Act, the Issuer has a mediation committee (*Vermittlungsausschuss*) in place.

The Supervisory Board members elect one of the members as chairman (*Vorsitzender*) and another one as deputy chairman (*Stellvertreter*) by a two-thirds majority of the votes cast. Pursuant to the articles of association of the Issuer and the rules of procedure of the Supervisory Board, the Supervisory Board may determine that certain transactions taken by the managing directors need its prior approval.

The Issuer's Supervisory Board comprises the following members:

Name	Responsibility	Other principal positions
Claus von Hermann	Chairman	Investment Advisory Professional, Co-Head DACH of Triton Partners; Member of the Investment Advisory Committee of Triton Partners; Member of the Advisory Board of Ewellix, Kelvion
Angela Steinecker	Deputy Chairwoman and Employee Representative	Second Authorized Representative and Managing Director of IG Metall Augsburg; Owner of Kanzlei Steinecker; Member of the Administrative Council of Stadtsparkasse Augsburg Member of the Supervisory Board of Fujitsu Technology Solutions GmbH; Member of the Supervisory Board of SWA Energy GmbH; Member of the Supervisory Board of SWA Netze GmbH; Member of the Supervisory Board of SWA Wasser GmbH; Member of the Supervisory Board of Kongress am Park Augsburg Member of the Supervisory Board of MAN Energy Solutions SE; Member of the Supervisory Board of MAN SE; Member of the Supervisory Board of MAN Truck & Bus SE
Swantje Conrad	Member	Non-Executive Director of BMO Private Equity Trust PLC; Member of the Audit and Nomination Committees of BMO Private Equity Trust PLC
Cécile Dutheil	Member	Head of Human Capital Portfolio at Triton Partners (employed by West Park Management Services Germany GmbH)
Dr. Hauke Kai Uwe Hansen	Member	Operating Partner for Triton Partners (employed by West Park Management Services Germany GmbH); Director of the Supervisory Board of Lakeside Beteiligungs AG; Member of the Supervisory Board, All4Labels Group GmbH;
Klaus Stahlmann	Member	Independent Director of Trillium Flow Technologies Holdco Ltd;
Dr. Cletus von Pichler	Member	Senior Industrial Expert at Triton Partners; Member of the Supervisory Board of Royal Reesink B.V.; President at Oleodinamica Marchesini S.r.l. Group

Name	Responsibility	Other principal positions
Sascha Dudzik	Employee Representative	Treasurer of IG Metall; Member of the Supervisory Board of WABCO Holding GmbH; Member of the Supervisory Board of KraussMaffei Group GmbH
Lothar Evers	Employee Representative	Chairman of the works council of RENK GmbH, Rheine; Deputy Chairman of the General Works Council of RENK GmbH Delegate in IGM local executive body, Rheine
Adela Lieb	Employee Representative	Director of Commercial Management, Finance & Controlling of RENK Test System GmbH
Klaus Refle	Employee Representative	Chairman of the joint works council of RENK GmbH, Augsburg; Chairman of the works council of Rank GmbH, Augsburg Chairman of the risk council of RENK Test System GmbH Union Steward at RENK GmbH
Mario Sommer	Employee Representative	Process planner cubic parts production in the Vehicle Transmissions business unit of RENK GmbH

Management Compensation

In the fiscal year ended December 31, 2020, management compensation amounted to €1,693 thousand and consisted of €411 thousand from short-term benefits and €1,282 thousand from post-employment benefits and termination benefits. There were no other long-term employee benefits or share-based payments.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In accordance with IAS 24, transactions with persons or companies that are, inter alia, members of the same Group as RENK Holding GmbH or that are in control of or controlled by RENK Holding GmbH must be disclosed unless they are already included as consolidated companies in RENK Holding GmbH's audited consolidated financial statements. Control exists if a shareholder owns more than one half of the voting rights in RENK Holding GmbH or, by virtue of an agreement, has the power to control the financial and operating policies of RENK Holding GmbH's management. The disclosure requirements under IAS 24 also extend to transactions with associated companies (including joint ventures) as well as transactions with persons who have significant influence on RENK Holding GmbH's financial and operating policies, including close family members and intermediate entities. This includes the members of the board of managing directors and supervisory board of the Issuer and close members of their families, as well as those entities over which the members of the board of managing directors and supervisory board of the Issuer or their close family members are able to exercise a significant influence or in which they hold a significant share of the voting rights.

Rebecca BidCo SARL holds the shares in RENK Holding GmbH and is thus, together with its affiliates, a related party with respect to the Group. In the twelve month period ended December 31, 2020, loan transactions were concluded with Rebecca BidCo SARL.

Shareholder Loan I

On September 10, 2020, the Issuer entered into a (long-term) shareholder loan agreement with Rebecca BidCo SARL (formerly, Triton V Luxco 31 S.à r.l.) as lender and the Issuer as borrower, pursuant to which the lender made available a loan in an amount of €80.0 million in connection with the Original Transactions. The receivables under the subordinated shareholder loan will be part of the Collateral.

The subordinated shareholder loan matures on the day falling one year after the Final Discharge Date (as such term is defined in the Intercreditor Agreement) and is subordinated to the Original Notes and the Super Senior Facilities and will be subordinated to the Additional Notes under the Intercreditor Agreement. No cash payments are required to service the shareholder loan prior to the maturity of the Notes.

The Shareholder Loan I bears interest at a rate of 6.0% per annum. Interest may, at the option of the Issuer, be paid in cash or capitalized.

Shareholder Loan II

On September 10, 2020, the Issuer entered into a bridge loan agreement with Rebecca BidCo SARL (formerly, Triton V Luxco 31 S.à r.l.) as lender and the Issuer as borrower, pursuant to which the lender made available a bridge loan in an amount of €40.0 million. The bridge loan (together with accrued interest thereon) was repaid on May 20, 2021.

Transitional Services Agreement

On the Acquisition Closing Date, RENK and L3Harris Technologies, Inc. ("**L3H**") expect to enter into a transition services agreement (the "**TSA**") pursuant to which L3H will agree to provide certain ongoing services to RENK on a transitional basis, all in support of the ongoing operations of the Target Business for the terms set forth for such service in the agreement. Under the TSA, L3H will agree to provide certain corporate, general and administrative services, including services related to credit and payment systems, human resources administration and information technology.

The quality of transition services to be provided under the TSA shall be substantially consistent with the manner and amount of the services provided by L3H internally prior to the Acquisition Closing Date and L3H will be obliged to use its commercially reasonable efforts to perform accordingly. To the extent L3H reasonably determines that certain services have to be increased, modified or otherwise changed, it may charge a higher fee for such additional costs and expenses upon RENK's prior approval. However, L3H, in its sole discretion, may perform services substantially consistent with any improved or enhanced practice as L3H deems reasonably prudent. In relation to services rendered by L3H to other segments of its own business, L3H may make similar changes to the services under the TSA, subject to certain conditions, *inter alia*, having consulted with RENK in good faith with respect to any such change.

Under the terms of the TSA, L3H is allowed to provide its services via its affiliates or subcontractors. L3H will perform its services as an independent contractor with the sole right to supervise, manage, operate, control and direct the performance of the respective service. Both RENK and L3H appoint one of their employees to act as “service coordinator” responsible contact person for coordinating and managing the services under the TSA.

Subject to the terms of the TSA, L3H will charge RENK an agreed upon monthly service fee as set forth in the agreement. Unless terminated by exercise of termination rights, the TSA shall terminate at the earlier of (i) the date when all services to be provided have been terminated (or expired) or 6 months after the Acquisition Closing Date.

The TSA is governed by the laws of the State of Delaware.

Management Services Agreement

On March 25, 2021, the Issuer entered into a consulting services agreement (the “**Service Agreement**”) with West Park Management Services Limited, an affiliate of the Sponsor, (“**Westpark**”). Pursuant to the terms the Service Agreement, Westpark agreed to provide certain consultancy services to the Issuer in relation to the assets, business and operations of the Issuer and its subsidiaries, including but not limited to: strategy and industry review and support, operational efficiency support, working capital management or support regarding bank reporting, covenants and meetings. In addition, Westpark has agreed to provide the Issuer with certain efficiency and optimization programs. Westpark is entitled to an agreed-upon fee on an arms’ length basis determined on the basis of a daily rate and an annual fee, subject to the terms of the Service Agreement as well as reimbursement of operational and out-of-pocket expenses in connection with the performance of its duties.

The Service Agreement is governed by the laws of the Bailiwick of Jersey.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following summary of the material terms of certain financing arrangements to which the Issuer and certain of its subsidiaries are a party, does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. For further information regarding our existing indebtedness and these financing arrangements, see "Use of Proceeds," "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Former RENK AG Group and RENK Holding GmbH Group" and "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Target Business."

Super Senior Facilities Agreement

Overview and structure

The Issuer and the Guarantors are party to a €225.0 million "super senior" Super Senior Facilities Agreement dated July 9, 2020 ("**Super Senior Facilities Agreement**," and the Cash RCF Facility thereunder shall be referred to as the "**Cash RCF Facility**" and the L/G RCF Facility thereunder shall be referred to as the "**L/G RCF Facility**," and the Cash RCF Facility and the L/G RCF Facility shall jointly be referred to as the "**Super Senior Facilities**") with, among others, Commerzbank Aktiengesellschaft, Credit Suisse (Switzerland) Ltd., Deutsche Bank AG, London Branch, Goldman Sachs International and UniCredit Bank AG, as mandated lead arrangers (together the "**Mandated Lead Arrangers**") and Commerzbank Aktiengesellschaft, Credit Suisse (Switzerland) Ltd., Deutsche Bank AG, London Branch (in respect of the Cash RCF Facility) and Deutsche Bank AG Filiale Deutschlandgeschäft (in respect of the L/G RCF Facility), Goldman Sachs International Bank and UniCredit Bank AG as original lenders (together the "**Original Lenders**"), Deutsche Bank AG, London Branch as agent (the "**Agent**") and as security agent (the "**Security Agent**").

The Super Senior Facilities Agreement provides for borrowings under the Cash RCF Facility of up to an aggregate initial principal amount of €50.0 million and guarantees under the L/G RCF Facility of up to an aggregate principal amount of €175.0 million on a committed basis. In addition, the Super Senior Facilities Agreement permits the incurrence of "additional revolving facilities" and "additional guarantee facilities" (see "*Description of Certain Financing Arrangements—Additional facilities*").

The Cash RCF Facility may be utilized by any current or future borrower (subject to certain exceptions) under the Cash RCF Facility in euro or certain other currencies by the drawing of cash advances and by way of ancillary facilities; and the L/G RCF Facility may be utilized by any current or future borrower (subject to certain exceptions) under the L/G RCF Facility in euro or certain other currencies by way of ancillary facilities.

Subject to certain exceptions, loans and guarantees may be borrowed, repaid and re-borrowed at any time.

Borrowings under the Cash RCF Facility are available to be used to (directly or indirectly) finance or refinance the general corporate purposes and/or working capital requirements of the Issuer and its restricted subsidiaries (the "**Restricted Group**") including, without limitation, to refinance and/or repay existing revolving credit and receivables financing arrangements of the Restricted Group (including factoring, securitization and other similar receivables financings) and the financing and/or refinancing of (i) capital expenditure and related costs and expenses, (ii) acquisitions, investments, joint ventures and related costs and expenses, (iii) operational restructurings and reorganizations of the Restricted Group and related costs and expenses, (iv) payments (including to be made to vendors) in respect of working capital related adjustments (howsoever structured) relating to or in connection with any acquisition (including the Acquisition), (v) payment of any refundable VAT on any fees, costs or expenses related to or incurred or charged in connection with the finance documents for the Notes, Super Senior Facilities and any other document designated as a "Transaction Document" under the Super Senior Facilities Agreement by the Agent and the Issuer or any acquisition (including the Acquisition) and any original issue discount, fees, flex and/or other related financing costs, (vi) interest payments due in respect of the Notes and any other indebtedness and/or (vii) otherwise in a manner consistent with the structure memorandum.

Amounts utilized under the L/G RCF Facility shall be applied by the Issuer and its Restricted Group towards (i) refinancing existing letters of credit and performance bonds of the types listed under sub-paragraph (ii) entered into, used and/or needed by the Group and (ii) in the ordinary course of business of the Restricted Group, including but not limited to operational business requirements of the Restricted Group such as warranty obligations, performance obligations, advance payment obligations, tender obligations, rental obligations, customs obligations and similar letters of credit to guarantee obligations of the Restricted Group in the ordinary course of business including, for the avoidance of doubt, (y) back to back guarantees (issued to, *inter alios*, financial institutions) for outstanding obligations under such instruments and (z) any existing guarantees which are rolled in, but excluding in each case any letter of credit or similar instrument which constitutes a credit guarantee or similar credit security instrument securing financial obligations.

The Issuer will be the "original borrower" and the "original guarantor" under the Super Senior Facilities.

Interest Rate and Fees

Interest rates

The interest rate on cash advances under the Cash RCF Facility will be the rate per annum equal to the aggregate of the applicable margin and EURIBOR (as such term is defined in the Super Senior Facilities Agreement) in relation to cash advances in euro and in relation to cash advances in any other currency, LIBOR (as such term is defined in the Super Senior Facilities Agreement) (each with a zero floor). Following the date that is the end of the second fiscal quarter date after the Acquisition Closing Date and provided that no Material Event of Default or Compliance Certificate Event of Default (as each such term is defined in the Super Senior Facilities Agreement) has occurred and is continuing, the margin on the Cash RCF Facility will be subject to reduction if certain "senior secured net leverage ratios" (which are to be calculated in the same way as the "Consolidated Senior Secured Net Leverage Ratio" under and as defined in the Indenture for the Notes (see "*Description of the Notes—Certain Definitions*") are met.

Commitment fees

A commitment fee will be payable on the aggregate undrawn and uncancelled amount of the Cash RCF Facility from (and including) the Acquisition Closing Date to (and including) the last day of the availability period for the Cash RCF Facility at a rate of the applicable percentage of the then applicable margin for the Cash RCF Facility. The commitment fee will be payable quarterly in arrears, on the last day of the availability period of the Cash RCF Facility and on the date the Cash RCF Facility is cancelled in full or on the date on which a lender cancels its commitment.

A commitment fee will be payable on the aggregate undrawn and uncancelled amount of the L/G RCF Facility from (and including) the Acquisition Closing Date to (and including) the last day of the availability period for the L/G RCF Facility computed at a rate set out in the relevant ancillary facility but in any event not exceeding a rate of the applicable percentage of the applicable guarantee fee for the L/G RCF Facility. The commitment fee will be payable quarterly in arrears, on the last day of the availability period of the L/G RCF Facility and on the date the L/G RCF Facility is cancelled in full or on the date on which a lender cancels its commitment.

The guarantee fee for letters of credit or guarantees issued under the L/G RCF Facility will be agreed with each ancillary lender under the L/G RCF Facility on a bilateral basis. If letters of credit are cash collateralized and continue to be provided, the guarantee fee shall be as agreed between the Issuer and the relevant lender. RENK GmbH (the "**Company**") or the relevant Borrower shall also pay (or procure that there is paid) to the relevant Ancillary Lender under an Ancillary Facility under the Guarantee Facility (for its own account) an issuance/administration fee in the amount and at the times specified in the relevant Ancillary Document.

In relation to any additional Cash RCF Facility and/or additional L/G RCF Facility (the "**Additional Facility**"), the Company shall pay (or shall procure that another Obligor shall pay) to the Agent (for the account of each relevant Additional Facility Lender (as defined in the Super Senior Facilities Agreement)) a commitment fee (if any) in the amounts, and at the times, specified in any relevant Additional Facility Notice (as defined in the Super Senior Facilities Agreement).

No commitment fee shall be payable unless the Acquisition Closing Date occurs.

Default interest will be calculated as an additional 1% on the overdue amount.

Other fees

The Issuer is also required to pay customary agency fees to the Agent and the Security Agent in connection with the Super Senior Facilities.

Availability

Each Facility may, subject to satisfaction of customary conditions precedent, be utilized from the Acquisition Closing Date until the date falling one month prior to the maturity date of the relevant Facility.

Maturity and Repayment Requirements

Each Facility matures on the date falling 4 years and six months after the Original Notes Issue Date.

Each advance under the Cash RCF Facility will be repaid on the last day of the interest period relating thereto, subject to a netting mechanism against amounts to be drawn on such date.

All outstanding amounts under a Facility must be repaid in full on or prior to the maturity date for the relevant Facility.

Amounts repaid by the borrowers on loans made under the Cash RCF Facility may be re-borrowed during the availability period for that facility, subject to certain conditions.

Prepayment

The Super Senior Facilities Agreement allows for voluntary prepayments (subject to a minimum amount and notice requirements).

The Super Senior Facilities Agreement also permits each lender to require the mandatory prepayment of all amounts due to that lender upon:

- a "change of control" (which comprises, generally, (i) FinCo ceasing to directly own 100% of the total issued share capital or all of the voting rights of the Issuer and (ii) the scenarios set out under the definition of "Change of Control" under the caption "*Description of the Notes—Certain Definitions*"); or
- if it becomes unlawful for the lender to perform any of its obligations (as applicable) under the Super Senior Facilities or to fund, issue or maintain its participation in any Utilization (as defined in the Super Senior Facilities Agreement).

Notwithstanding the foregoing, any ancillary lender may, as between itself and the relevant member of the Restricted Group, agree to continue to provide such ancillary facility (with such arrangements continuing on a bilateral basis and not as part of, or under, the finance documents for any Facility and the transaction security for such Facility shall not, following release by the Security Agent, secure any such ancillary facility in respect of any claims that arise after such cancellation).

To the extent that the commitments of a lender under the Cash RCF Facility are voluntarily cancelled by the Issuer in full which the Company is entitled to do by giving 5 Business Days' prior written notice to the Agent of such cancellation, such lender under the Cash RCF Facility shall have the right to cancel its commitments under the L/G RCF Facility in full within 30 days of its commitments under the Cash RCF Facility being cancelled in full, by giving not less than 5 Business Days' prior notice to the Issuer and the Agent, provided that the Issuer shall have 30 days after the relevant lender giving notice of such cancellation of the commitments under the L/G RCF Facility to the Issuer and the Agent, to cash-collateralize, replace or provide counter-guarantees for any guarantees or letters of credit then outstanding under the relevant ancillary facility provided under the L/G RCF Facility. This shall not apply to the extent that the commitments of all lenders under the Cash RCF Facility are reduced prior to the Acquisition Closing Date on a *pro rata* basis.

Additional Facilities

The Super Senior Facilities Agreement contemplates the incurrence of uncommitted "additional revolving facilities" and "additional guarantee facilities" in a maximum amount not to exceed the aggregate sum of:

- in respect of the Cash RCF Facility (i) the greater of (x) €70.0 million and (y) an amount equal to 81% of consolidated earnings before interest, tax, depreciation and amortization plus certain adjustments, similar to those in Consolidated EBITDA as set out in "*Description of the Notes*," of the Restricted Group, on a *pro forma* basis for the most recently ended four full fiscal quarters for which internal consolidated financial statements are available prior to such incurrence (after giving *pro forma* effect to the relevant transactions) *less* (ii) the total Cash RCF Facility commitment immediately before giving effect to the amount of the additional revolving facility; and
- in respect of the L/G RCF Facility (i) the greater of (x) €175.0 million and (y) an amount equal to 201% of consolidated earnings before interest, tax, depreciation and amortization plus certain adjustments, similar to those in Consolidated EBITDA as set out in "*Description of the Notes*," of the Restricted Group, on a *pro forma* basis for the most recently ended four full fiscal quarters for which internal consolidated financial statements are available prior to such incurrence (after giving *pro forma* effect to the relevant transactions)

less (ii) the total L/G RCF Facility commitment immediately before giving effect to the amount of the additional L/G RCF Facility,

Such additional revolving facilities and guarantee facilities may be incurred under the Super Senior Facilities Agreement either as a new Cash RCF Facility, a new L/G RCF Facility and/or as an additional tranche of any existing Cash RCF facility and/or L/G RCF Facility and/or by increasing the commitments under an existing Cash RCF Facility or an existing L/G RCF Facility. Such additional revolving facilities and/or guarantee facilities will be secured and shall rank *pari passu* with the Super Senior Facilities and be prepaid on a *pro rata* basis (including with respect to mandatory prepayments). The lenders of any such additional revolving facilities and/or guarantee facilities may not have the benefit of guarantees from any member of the Restricted Group which is not a borrower or guarantor of the Super Senior Facilities or security over assets other than the then existing transaction security for the Super Senior Facilities (except where the same security (to the extent permitted by law) is granted in respect of the other facilities under the Super Senior Facilities).

The availability, maturity, pricing and other terms of any Additional Facility will be those agreed between the Issuer and the relevant lenders of that Additional Facility, provided that (i) (in relation to an additional revolving facility) the final maturity date of the additional revolving facility is no earlier than the Termination Date applicable to the Cash RCF Facility (or, in each case, if at such time the Revolving Facility has been cancelled in full or would be repaid and cancelled in full after giving effect to the application of the proceeds of the relevant Additional Facility, any final maturity date under the Super Senior Facilities Agreement); and (in relation to an additional guarantee facility) the final maturity date of the additional guarantee facility is no earlier than the Termination Date applicable to the L/G RCF Facility (or, in each case, if at such time the L/G RCF Facility has been cancelled in full or would be repaid and cancelled in full after giving effect to the application of the proceeds of the relevant Additional Facility, any final maturity date under the Super Senior Facilities Agreement), (ii) no "material event of default" has occurred and is continuing at the time the relevant Additional Facility is committed (unless the proceeds of the relevant Additional Facility are used to refinance existing additional revolving facilities or guarantee facilities) and (iii) no member of the Restricted Group may provide an Additional Facility.

Guarantees

The Super Senior Facilities is guaranteed by the Guarantors.

The Super Senior Facilities Agreement requires that, subject to certain "agreed security principles" set out in the Super Senior Facilities Agreement, each member of the Restricted Group that is, or becomes, a "material company" (which is generally defined under the Super Senior Facilities Agreement to include, among other things, certain members of the Restricted Group that have earnings before interest, tax, depreciation and amortization representing more than 5% or more of the consolidated earnings before interest, tax, depreciation and amortization of the Restricted Group, and certain members of the Restricted Group that are a direct holding company of a "material company") after the Acquisition Closing Date by reference to the annual consolidated financial statements (the "**Annual Financial Statements**") most recently delivered to the Agent, or, at the discretion of the Company, a more recent set of financial statements of the Restricted Group or the Group for an LTM Period; and/or if a Subsidiary has been acquired since the date as at which the latest Annual Financial Statements of the Restricted Group were prepared, the latest annual financial statements of the relevant Subsidiary for the relevant financial year (consolidated in the case of a Subsidiary which itself has Subsidiaries), or, if such financial statements are not available or required by law, such other accounts as are available (commencing with the first complete fiscal year ending after the Acquisition Closing Date) will be required to become a guarantor under the Super Senior Facilities Agreement within 120 days of the date of delivery of the relevant annual consolidated or combined, as applicable, financial statements of the Issuer for the relevant fiscal year.

Furthermore, if on the last day of each financial year of the Issuer (commencing with the first complete financial year after the Acquisition Closing Date), the guarantors represent less than 80% of the consolidated earnings before interest, tax, depreciation and amortization of the members of the Restricted Group (subject to certain exceptions) (the "**Guarantor Coverage Test**"), within 120 days of delivery of the annual financial statements for the relevant financial year (commencing with the first complete financial year after the Acquisition Closing Date), such other members of the Restricted Group (subject to the agreed security principles and certain other exceptions) are required to become guarantors until the Guarantor Coverage Test is satisfied (to be calculated as if such additional guarantors had been guarantors on the last day of the relevant financial year). Members of the Restricted Group may be excluded from such calculation if (i) they are not incorporated in a "covered jurisdiction" (as defined in the Super Senior Facilities Agreement) or (ii) there is a restriction applicable to it in relation to becoming a guarantor.

The Issuer or to the extent the Day One Accession has occurred, the Company shall also ensure that the Guarantor Coverage Test is satisfied by the date which is 120 days after (and excluding) the Acquisition Closing Date (or such later date as the Agent may agree in its reasonable discretion).

Security

The Super Senior Facilities (subject to the agreed security principles set out in the Super Senior Facilities Agreement) are secured by the Collateral as further described under "*Description of the Notes—Security*."

Each holding company of any "material company" (*provided* that such holding company is a member of the Restricted Group in each case with certain members of the Restricted Group being excluded, which becomes a guarantor under any Facility is required (subject to the "agreed security principles") to grant security over the shares it holds in such material company in favor of the Security Agent. In addition, any "material company" or other member of the Restricted Group which becomes a guarantor of the Super Senior Facilities is required (subject to the agreed security principles) to grant security over certain of its material assets in favour of the Security Agent.

Under the terms of the Intercreditor Agreement, proceeds from the enforcement of the collateral (whether or not shared with the holders of the Notes) will be required to be applied to repay indebtedness outstanding under the Super Senior Facilities, as well as certain hedging obligations, in priority to the Notes.

Representations and Warranties

The Super Senior Facilities Agreement contains certain customary representations and warranties (subject to certain customary materiality, actual knowledge and other qualifications, exceptions and baskets, and with certain representations and warranties being repeated), including without limitation: (i) status; (ii) binding obligations; (iii) non-conflict with other obligations; (iv) power and authority; (v) validity and admissibility in evidence; (vi) consents and filings; (vii) governing law and enforcement; (viii) no insolvency; (ix) no proceedings pending or threatened; (x) no filing or stamp taxes; (xi) no events of default; (xii) taxation; (xiii) deduction of tax; (xiv) consents and filing; (xv) no filing and stamp taxes); (xvi) *pari passu* ranking; (xvii) legal and beneficial ownership; (xviii) financial model; (xix) group structure; (xx) centre of main interest; (xxi) anti-money laundering, anti-terrorism laws and sanctions; (xxii) no breach of laws; (xxiii) good title to assets; (xxiv) financial statements and (xxv) acquisition documents.

Covenants

The Super Senior Facilities Agreement contains certain of the same incurrence covenants and related definitions (with certain adjustments) that will apply to the Notes as included under the caption "*Description of the Notes—Certain Covenants*."

In addition, the Super Senior Facilities Agreement also contains certain affirmative and negative covenants, and the Super Senior Facilities Agreement also contains a financial covenant for the benefit of lenders under the Cash RCF Facility only. Set forth below is a brief description of such covenants, all of which are subject to customary materiality, actual knowledge or other qualifications, exceptions and baskets.

Affirmative Covenants

The affirmative covenants include, among others: (i) providing certain financial information in respect of the Restricted Group, including annual audited, half-yearly and quarterly financial statements and compliance certificates; (ii) authorizations, (iii) compliance with laws; (iv) payment of taxes; (v) maintenance of *pari passu* ranking of the Super Senior Facilities; (vi) access for the agent; (vii) compliance with environmental permits and laws; (viii) maintenance of the Guarantor Coverage Test and (ix) further assurance provisions; (x) conforming amendments to the Indenture; and (xi) compliance with sanctions and anti-corruption laws.

Negative Covenants

The negative covenants include restrictions, among others, with respect to (i) activity by the Issuer other than holding company activity; (ii) changing the center of main interest of a borrower or guarantor under any Facility; and (iii) Notes purchases. Otherwise, the negative covenants in the Super Senior Facilities are substantially the same as the negative covenants that will be in the Indenture.

Certain of the incurrence covenants under the Super Senior Facilities Agreement may be suspended upon (i) the occurrence of a "Listing" (as defined in the Super Senior Facilities Agreement) (that does not result in a "change of control") and the achievement of a "consolidated net leverage ratio" of the Restricted Group is equal to or less than 2.00:1.00 (generally, *pro forma* for any prepayment of the Cash RCF Facility from the proceeds of such initial public offering) or (ii) a member of the Restricted Group or a holding company of the Issuer having achieved an investment grade status (Baa3/BBB- or better by Moody's or S&P, respectively).

The Super Senior Facilities Agreement also contain a "notes purchase condition" covenant, which provides, subject to certain exceptions set out in the Super Senior Facilities Agreement, that the Issuer may not, and shall procure that no other member of the Restricted Group will, prepay, purchase, redeem, retire or otherwise acquire for value any of the principal amount of the Notes prior to the scheduled repayment date. The exceptions to such covenant include, *inter alia* (and provided that no event of default under any Super Senior Facility is continuing or would result from such note purchase): (i) notes purchases funded with, *inter alia*, certain permitted indebtedness under the Facilities Agreement (other than the Cash RCF Facility); (ii) note purchases that do not exceed 50% of the aggregate face value of the Notes in existence at the Acquisition Closing Date or incurred afterwards (and any permitted refinancing thereof); or (iii) the Super Senior Facilities (including any additional facilities) are cancelled (and if applicable prepaid) in the same or greater proportion as the proportion of the note purchase to the aggregate face value of the Notes then outstanding, provided that (I) the revolving facility commitments shall in no circumstances be required to be reduced below an amount equal to 60% of the total revolving facility commitments outstanding at that time; and (II) the guarantee facility commitments shall in no circumstances be required to be reduced below 80% of the total guarantee facility commitments outstanding at that time.

Financial Covenant

The Super Senior Facilities Agreement requires the Issuer to comply with a consolidated "senior secured net leverage" financial covenant for the benefit of the lenders under the Cash RCF Facility and any additional revolving facility which benefits from the financial covenant. The financial covenant will be tested quarterly on a rolling basis, generally, subject to (i) the first test date falling on the date that is the end of the third fiscal quarter date after the Acquisition Closing Date and (ii) the Test Condition being met on the relevant test date, such condition being (I) the aggregate of all outstanding loans under the Cash RCF Facility and any springing covenant revolving facility and all outstanding cash drawings and any letters of credit or guarantees which have been called and which remain outstanding under Ancillary Facilities (as defined in the Super Senior Facilities Agreement) under the Cash RCF Facility or any springing covenant revolving facility less cash and cash equivalents held by members of the Restricted Group, which exceeds (II) 40% of the aggregate of Cash RCF Facility commitments as at the date of the Super Senior Facilities Agreement and additional revolving facilities established following the date of the Super Senior Facilities Agreement.

The Issuer is permitted to prevent or cure breaches of the financial covenant by applying a "cure" amount (generally, amounts received by the Issuer in cash pursuant to any new equity or permitted shareholder subordinated debt), including as if "consolidated earnings before interest, tax, depreciation and amortization" had been reduced by such amount. There is no requirement to apply any such cure amount in prepayment of the Super Senior Facilities. No more than four different cure amounts may be taken into account prior to the original termination date of the Super Senior Facilities Agreement and more than two cure amounts in any four consecutive financial quarters are not permitted.

Events of Default

The Super Senior Facilities Agreement provides for some of the same events of default, with certain adjustments, as those applicable for the Notes as set forth in the section entitled "*Description of the Notes— Events of Default*." In addition, the Super Senior Facilities provides for certain customary events of default, all of which are subject to customary materiality and other qualifications, exceptions, baskets and/or grace periods, as appropriate, comprising without limitation: (i) for the benefit of lenders under the Cash RCF Facility only, breach of the financial covenant subject to possibilities to cure the financial covenant breach; (ii) breach of other obligations subject to a 20 business day grace period; (iii) representations or warranties found to be untrue or misleading when made or deemed repeated subject to a 20 business day grace period; (iv) material litigation, arbitration or administrative, governmental, regulatory or other proceedings in relation to the finance documents or against any member of the Restricted Group or its material assets; (v) cross default subject to thresholds; (vi) unlawfulness and invalidity subject to a 20 business day grace period; (vii) failure to comply with a material term of the Intercreditor Agreement by a member of the Restricted Group or any affiliate of the Issuer which is not a member of the Restricted Group subject to a 20 business day grace period; (viii) repudiation and rescission of the finance documents and (ix) cessation of business.

Governing Law

The Super Senior Facilities Agreement will be governed by English law, *provided that* the events of default, incurrence covenants and related definitions for the Notes to be included (with certain adjustments) in the Super Senior Facilities Agreement will be interpreted in accordance with the law of the State of New York.

Intercreditor Agreement

To establish the relative rights of certain of our creditors under certain of our financing arrangements, the Issuer, the Guarantors, Rebecca BidCo SARL (formerly, Triton V Luxco 31 S.à r.l.) and FinCo are parties to an intercreditor agreement (the "**Intercreditor Agreement**") dated July 9, 2020, together with the Agent, the Original Lenders and the Mandated Lead Arrangers, as well as the Trustee for the holders of the Notes (the "**Trustee**") and the Security Agent.

By accepting a Note, the relevant holder thereof shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement and shall be deemed to have authorized the Trustee to enter into the Intercreditor Agreement on its behalf as Trustee.

The following description is a summary of certain provisions, among others, that will be contained in the Intercreditor Agreement and which relate to the rights and obligations of the holders of the Notes. It does not restate the Intercreditor Agreement in its entirety. As such, you are urged to read the Intercreditor Agreement because it, and not the description that follows, defines certain rights of the holders of the Notes.

Unless expressly stated otherwise in the Intercreditor Agreement, in the event of a conflict between the terms of the Super Senior Facilities Agreement, the Indenture and the Intercreditor Agreement, the provisions of the Intercreditor Agreement will prevail.

Overview

The Intercreditor Agreement sets out, among other things:

- the relative ranking of certain debt of the Restricted Group in respect of "**Credit Facility Liabilities**," "**Future Pari Passu Liabilities**," "**Future Senior Subordinated Liabilities**," "**Cash Management Liabilities**," "**Non-Priority Hedging Liabilities**," "**Priority Hedging Liabilities**" and "**Senior Secured Notes Liabilities**" (each as defined below);
- the relative ranking of certain security granted by certain members of the Restricted Group and by Third Party Security Providers for the benefit of certain creditors under certain of our financing arrangements;
- when payments can be made in respect of certain indebtedness of the Restricted Group;
- when enforcement action (including acceleration and/or demand for payment and certain similar actions) ("**Enforcement Action**") can be taken in respect of the "**Transaction Security**" (as defined below);
- the requirement to turnover amounts received from enforcement of the Transaction Security and certain guarantees provided by certain members of the Restricted Group and by Third Party Security Providers;
- when the Transaction Security and guarantee(s) issued by certain members of the Restricted Group and by Third Party Security Providers will be released to permit an enforcement sale;
- the circumstances under which creditors' claims (including the claims of holders of the Notes against the Issuer) might be required to be transferred to third parties or released to assist in enforcement; and
- the order for applying proceeds from the enforcement of the Transaction Security, certain guarantees and other amounts received by the Security Agent.

Incurrence of Additional Indebtedness

The Intercreditor Agreement will contain customary provisions regulating certain additional indebtedness permitted to be incurred by members of the Restricted Group and which is contemplated to be secured by the documents creating security (including over the Collateral) (the "**Transaction Security**") granted by certain members of the Restricted Group and by Third Party Security Providers (together, the "**Transaction Security Documents**").

Such additional indebtedness may either, with respect to the Transaction Security (and the proceeds thereof): (i) be in the form of loans, credit or debt facilities or notes (among other things) and have equivalent rights to the rights of the holders of the Notes under the Intercreditor Agreement, in which case it will vote in, and share in the proceeds of, enforcement of the Transaction Security with the same class of creditors as the holders of Notes (such indebtedness, "**Future Pari Passu Debt**" and, the holders of such indebtedness, "**Future Pari Passu Creditors**"); (ii) be in the form of a "credit facility" ranking senior to the liabilities in respect of the Notes with respect to the proceeds of enforcement of the Transaction Security, in which case it will vote in, and share in the proceeds of, enforcement of Transaction Security with the lenders under the Super Senior Facilities and any "**Super Senior Hedging Agreements**" (as defined below) (such additional credit facilities, solely for the purposes of this description of the Intercreditor Agreement, the "**Credit Facilities**" and, the lenders of such indebtedness, the "**Additional Credit Facility Lenders**"); or (iii) to the extent that it benefits from Transaction Security, be in the form of loans, credit or debt facilities or notes (among other things) and rank junior to the liabilities in respect of the Notes, in which case it will share in the proceeds of enforcement of the Transaction Security expressed to secure it on a junior basis to the holders of the Notes (such indebtedness, "**Future Senior Subordinated Debt**," and the lenders or holders of such indebtedness, the "**Future Senior Subordinated Creditors**").

Hedging Transactions

The Intercreditor Agreement will contain provisions that will permit certain members of the Restricted Group to enter into hedging agreements with certain hedge counterparties, which may also be secured by the Transaction Security.

The hedging agreements may either, with respect to the Transaction Security (and the proceeds thereof): (i) be secured on a senior basis to the liabilities in respect of the Notes with respect to the proceeds of enforcement of the Transaction Security, in which case it will vote in, and share in the proceeds of, enforcement of the Transaction Security with the lenders and creditors under the Super Senior Facilities (such hedging agreements, the "**Super Senior Hedging Agreements**," and, the hedge counterparties in respect thereof, the "**Priority Hedge Counterparties**"); or (ii) have equivalent rights to the rights of the holders of the Notes under the Intercreditor Agreement, in which case it will vote in, and share in the proceeds of, enforcement of the Transaction Security with the same class of creditors as the holders of Notes and the holders of any Future Pari Passu Debt (such hedging agreements, the "**Pari Passu Hedging Agreements**," and, the hedge counterparties in respect thereof, the "**Non-Priority Hedge Counterparties**" and, together with the Priority Hedge Counterparties, the "**Hedge Counterparties**").

Intra-Group Debt and Shareholder Debt

None of the Issuer, any of its restricted subsidiaries or any shareholder of a member of the Restricted Group which is not otherwise party to (1) a document creating security in favor of any of the "**Super Senior Creditors**" (as defined below), "**Senior Secured Creditors**" (as defined below) or the Future Senior Subordinated Creditors or (2) the debt documents thereby secured, will be party to the Intercreditor Agreement save for: (i) any shareholder of the Issuer (or affiliate of the Issuer which is not a member of the Restricted Group) in respect of any existing or future loan made to the Issuer or any of its restricted subsidiaries (each a "**Shareholder Creditor**," and each such loan, the "**Shareholder Liabilities**"); and (ii) certain members of the Restricted Group that lend (each an "**Intra-Group Lender**") to other members of the Restricted Group and each debtor under such loan or any other entity which accedes or otherwise becomes a party to the Intercreditor Agreement as a debtor and/or creditor, that will accede to the Intercreditor Agreement with respect to the loans or indebtedness owing from such member of the Restricted Group to such other member of the Restricted Group in respect of intra-group loans which are in an aggregate amount of €10.0 million or more and which are or will be outstanding for more than 12 months (the "**Intra-Group Liabilities**") (each an "**Obligor**" and, together, the "**Obligors**").

The Intercreditor Agreement will contain subordination provisions relating to any Intra-Group Liabilities as well as the Shareholder Liabilities. However, Obligors will not be prohibited from making payments in respect of any Intra-Group Liabilities until an "acceleration event" has occurred and is continuing under any of the Super Senior Facilities Agreement, the Indenture, any Credit Facility, any Future Pari Passu Debt or any Future Senior Subordinated Debt.

Security Agent

There will be a single security agent appointed to act at all times on behalf of (i) the lenders under the Super Senior Facilities and any Additional Credit Facility Lender (together, the "**Super Senior Lenders**"), any Priority Hedge Counterparties, any Cash Management Provider (as defined in the Intercreditor Agreement) and any Additional Credit Facility Lenders (together, the "**Super Senior Creditors**"), (ii) the holders of the Notes, any Non-Priority Hedge Counterparties and any Future Pari Passu Creditors (collectively, the "**Senior**

Secured Creditors") and (iii) any Future Senior Subordinated Creditors (and together with the Super Senior Creditors and the Senior Secured Creditors, the "**Primary Creditors**").

Ranking and Priority

Priority of Indebtedness

The Intercreditor Agreement will provide that the liabilities of the Obligors, as the case may be, in respect of the Super Senior Facilities (the "**Credit Facility Liabilities**") the Notes and any additional notes issued from time to time under the Indenture (together, the "**Senior Secured Notes**," and the liabilities in respect thereof, the "Senior Secured Notes Liabilities"), the Future Pari Passu Debt (the "**Future Pari Passu Liabilities**"), the amounts owing to the Cash Management Providers (as defined in the Intercreditor Agreement) (the "**Cash Management Liabilities**"), the amounts owing to the Priority Hedge Counterparties under the Super Senior Hedging Agreements (the "**Priority Hedging Liabilities**" and, together with the Cash Management Liabilities and the Credit Facility Liabilities, the "**Super Senior Liabilities**") and the amounts owing to the Non-Priority Hedge Counterparties under the Pari Passu Hedging Agreements (the "**Pari Passu Hedging Liabilities**" and, together with the Super Senior Hedging Liabilities, the "**Hedging Liabilities**"), certain customary costs and expenses of the Trustee (the "**Senior Secured Trustee Liabilities**"), amounts owing to the Security Agent, and amounts owing to the Creditor Representatives (the "**Creditor Representative Liabilities**"), will rank equally (without preference among them) in right and priority of payment and in priority to the liabilities of the Obligors, as the case may be, in respect of the Future Senior Subordinated Debt (the "**Future Senior Subordinated Liabilities**"), the Intra-Group Liabilities (except as otherwise set out under "*—Intra-Group Liabilities and Shareholder Liabilities" below*) and the Shareholder Liabilities.

The Future Senior Subordinated Debt will rank in priority to the Intra-Group Liabilities owed to the Issuer and, following the Control Date, the members of the Group and the Shareholder Liabilities.

The Intercreditor Agreement will not rank any liabilities and/or obligations owed to any person who is not the Issuer or a restricted subsidiary of the Issuer.

Priority of Transaction Security

The Intercreditor Agreement shall provide that the Transaction Security created pursuant to the Transaction Security Documents shall rank and secure the following liabilities in the following order (but only, in each case, to the extent that such Transaction Security is expressed to secure those liabilities):

- **first**, *pari passu* between themselves and without any preference between them, the Credit Facility Liabilities, the Priority Hedging Liabilities, the Senior Secured Notes Liabilities, the Future Pari Passu Liabilities, the Cash Management Liabilities, certain customary costs and expenses of the Trustee and the Non-Priority Hedging Liabilities; and
- **second**, *pari passu* between themselves and without any preference between them, the Future Senior Subordinated Liabilities.

The proceeds from the enforcement of the Transaction Security are to be applied as described below under the caption "*—Application of Proceeds/Waterfall*."

Intra-Group Liabilities and Shareholder Liabilities

The Intercreditor Agreement shall provide that the Intra-Group Liabilities owed to the Issuer and, following the Control Date, the members of the Group and the Shareholder Liabilities are postponed and subordinated to the liabilities owed by the Obligors to the Primary Creditors. Prior to the Control Date, the Intra-Group Liabilities owed to members of the Group are subordinated to the Super Senior Liabilities of the Group only.

Restrictions on Payments

Super Senior Creditors and Senior Secured Creditors

The Intercreditor Agreement shall provide that the Obligors may make payments in respect of the Credit Facility Liabilities, the Senior Secured Notes Liabilities and the Future Pari Passu Liabilities, respectively, at any time in accordance with their respective terms.

Cash Management Providers

The Intercreditor Agreement shall provide that prior to the date on which all Senior Secured Debt is discharged in full (the "**Senior Secured Debt Discharge Date**"), unless a Credit Facility Acceleration Event, a Senior Secured Notes Acceleration Event, a Future Pari Passu Debt Acceleration Event or an Insolvency Event (as each such term is defined in the Intercreditor Agreement) has occurred, the debtors and Third Party Security Providers may make payments to any Cash Management Provider (as defined in the Intercreditor Agreement) in respect of the Cash Management Liabilities then due to that Cash Management Provider (as defined in the Intercreditor Agreement) under any Cash Management Agreement (as defined in the Intercreditor Agreement) in accordance with the terms of the applicable Cash Management Agreement (as defined in the Intercreditor Agreement). Following the occurrence of a Credit Facility Acceleration Event, a Senior Secured Notes Acceleration Event, a Future Pari Passu Debt Acceleration Event or an Insolvency Event (as each such term is defined in the Intercreditor Agreement) which is continuing, the debtors under the Intercreditor Agreement and the Third Party Security Providers may not make payments in respect of the Cash Management Liabilities without the consent of an Instructing Group (as defined below) unless such payments are expressly permitted under the Intercreditor Agreement in accordance with any Enforcement Action taken by the Cash Management Providers (as defined in the Intercreditor Agreement).

Future Senior Subordinated Creditors

Prior to the Senior Secured Debt Discharge Date, except with the prior consent of an "**Instructing Group**" (as defined below), neither the Issuer, the Third Party Security Providers nor any member of the Restricted Group may make payments in respect of the Future Senior Subordinated Liabilities without the consent of the "Relevant Representative" (as defined below) except for the following:

(1) if:

  (a) the payment is:

    (i) any of the principal or interest (including capitalized interest and default interest) amount of the Future Senior Subordinated Liabilities which is either (1) not prohibited from being paid by the Super Senior Facilities Agreement or any Credit Facility finance agreement, the Indenture or any Future Pari Passu Debt finance agreement or (2) paid on or after the final maturity date of the Future Senior Subordinated Liabilities (*provided that* (x) the scheduled maturity date of such Future Senior Subordinated Debt is, at the first date of incurrence of such Future Senior Subordinated Debt, no earlier than the date falling six months after the original scheduled maturity date of the Notes issued on or about the date of the Intercreditor Agreement (it being acknowledged that such Future Senior Subordinated Debt may have customary optional redemption, change of control, asset sale and/or other customary mandatory redemption provisions) and (y) such maturity date is no earlier than that contained in the relevant Future Senior Subordinated Debt documents as of the first date of incurrence of any Future Senior Subordinated Debt); or

    (ii) any other amount in respect of the Future Senior Subordinated Liabilities which is not an amount of principal or capitalized interest and default interest on the Future Senior Subordinated Liabilities accrued due and payable in cash in accordance with the terms of the relevant debt documents for the Future Senior Subordinated Debt (together, the "**Future Senior Subordinated Debt Documents**"), additional amounts payable as a result of the tax gross-up provisions relating to the Future Senior Subordinated Liabilities and amounts in respect of currency indemnities in the relevant Future Senior Subordinated Debt Documents;

  (b) no notice delivered pursuant to the terms of the Intercreditor Agreement blocking payments in respect of the Future Senior Subordinated Liabilities (a "**Payment Blockage Notice**") is outstanding; and

  (c) no payment default under the Super Senior Facilities Agreement or comparable provision of any permitted credit facility financing agreement, no payment default under any Notes Document in respect of an amount constituting principal or interest or otherwise not exceeding €100,000 (or its equivalent in other currencies) and/or no payment default under any Future Pari Passu Debt document in respect of an amount constituting principal or interest or otherwise not exceeding €100,000 (or its equivalent in other currencies) (a "**Senior Secured Debt Payment Default**") has occurred and is continuing; or

(2) the “Majority Super Senior Creditors” and the “Majority Senior Secured Creditors” (each as defined below) give prior consent to that payment being made; or

(3) the payment is a “Permitted Post-Payment Blockage Payment” (as defined below).

(4) the payment is in respect of costs, commissions, taxes, consent fees and expenses incurred in respect of (or reasonably incidental to) the Future Senior Subordinated Debt Documents (including in relation to any reporting or listing requirements under the Future Senior Subordinated Debt Documents); or

(5) the payment is in respect of costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Future Senior Subordinated Debt in compliance with the Intercreditor Agreement, the Super Senior Facilities Agreement and any Credit Facility finance agreement, the Indenture and any Future Pari Passu Debt finance agreement; or

(6) the payment is in respect of certain customary costs and expenses payable to a “Future Senior Subordinated Debt Representative” (as defined below).

On or after the Senior Secured Debt Discharge Date, the Obligors may make payments to the Future Senior Subordinated Creditors in respect of the Future Senior Subordinated Liabilities in accordance with the Future Senior Subordinated Debt Documents.

Payment Block—Future Senior Subordinated Debt

Prior to the Senior Secured Debt Discharge Date, if a Senior Secured Debt Payment Default has occurred and is continuing, all payments in respect of the Future Senior Subordinated Liabilities (other than any payment consented to by the “Majority Super Senior Creditors” and the “Majority Senior Secured Creditors” (each as defined below) and certain specified exceptions) are suspended.

Prior to the Senior Secured Debt Discharge Date, if an event of default (other than a Senior Secured Debt Payment Default) under the finance documents in respect of the Senior Secured Debt (a “**Senior Secured Debt Event of Default**”) has occurred and is continuing, and either the Agent, the creditor representative for any Credit Facility (together the “Senior Agents” and each a “**Senior Agent**”), the Trustee or a creditor representative of Future Pari Passu Debt (as the case may be) (each a “**Relevant Representative**”) has delivered a Payment Blockage Notice to the Issuer, the Security Agent and creditor representative of the Future Senior Subordinated Creditors (the “**Future Senior Subordinated Debt Representative**”), all payments in respect of the Future Senior Subordinated Liabilities (other than those consented to by the Majority Super Senior Creditors and Majority Senior Secured Creditors (each as defined below) and certain specified exceptions) are suspended until the earliest of:

(1) the date on which there is a waiver, remedy or cure of such Senior Secured Debt Event of Default in accordance with the relevant finance documents;

(2) the date on which a default under the Future Senior Subordinated Debt occurs for failure to pay principal at the original scheduled maturity of the Future Senior Subordinated Debt;

(3) the date falling 179 days after the receipt by the Future Senior Subordinated Debt Representative of the Payment Blockage Notice;

(4) if a “Standstill Period” (as defined below) is in effect at any time after delivery of a Payment Blockage Notice, the date on which that Standstill Period expires;

(5) the date on which the relevant Senior Secured Debt Event of Default is no longer continuing and, if the relevant Senior Secured Debt has been accelerated, such acceleration has been rescinded (and if such acceleration consisted solely of declaring the relevant debt payable on demand such rescission can be effected by the relevant majority creditors in respect of the relevant debt);

(6) the date on which the Relevant Representative which issued the Payment Blockage Notice (and, if at such time a Senior Secured Debt Event of Default is continuing (other than in relation to the Senior Secured Debt in respect of which such notice was given), the Relevant Representative(s) in respect of that other Senior Secured Debt) delivers a notice to the Issuer, the Security Agent and the Future Senior Subordinated Debt Representative cancelling that Payment Blockage Notice;

(7) the Senior Secured Debt Discharge Date; and

(8) the date on which the Future Senior Subordinated Debt Representative or the Security Agent takes any Enforcement Action which it is permitted to take in accordance with the Intercreditor Agreement.

Unless the Future Senior Subordinated Debt Representative waives this requirement: (i) no new Payment Blockage Notice may be served by a Relevant Representative unless 360 days have elapsed since the delivery of the immediately prior Payment Blockage Notice; and (ii) no Payment Blockage Notice may be served in reliance on a Senior Secured Debt Event of Default more than 60 days after the date that the Relevant Representative received notice of that Senior Secured Debt Event of Default.

The Relevant Representative may only serve one Payment Blockage Notice with respect to the same event or set of circumstances. Subject to the immediately preceding paragraph, this shall not affect the right of the Relevant Representatives to issue a Payment Blockage Notice in respect of any other event or set of circumstances.

No Payment Blockage Notice may be served by a Relevant Representative in respect of a Senior Secured Debt Event of Default which had been notified to each of them at the time at which an earlier Payment Blockage Notice was issued.

Cure of Payment Block—Future Senior Subordinated Creditors

If:

(1) at any time following the issue of a Payment Blockage Notice or the occurrence of a Senior Secured Debt Payment Default, that Payment Blockage Notice ceases to be outstanding and/or (as the case may be) the Senior Secured Debt Payment Default ceases to be continuing; and

(2) the relevant Obligor then promptly pays to the Future Senior Subordinated Creditors an amount equal to any payments which had accrued under any Future Senior Subordinated Debt Documents and which would have otherwise been entitled to make but for that Payment Blockage Notice or Senior Secured Debt Payment Default,

(a "**Permitted Post-Payment Blockage Payment**"), then any event of default which may have occurred as a result of that suspension of payments shall be waived and any "Future Senior Subordinated 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 Future Senior Subordinated Creditors.

Enforcement Action

Permitted enforcement by Future Senior Subordinated Creditors

Prior to the Senior Secured Debt Discharge Date, neither the Future Senior Subordinated Debt Representative nor the Future Senior Subordinated Creditors may take or require the taking of an Enforcement Action with respect to the Future Senior Subordinated Debt without the prior consent of or as required by an "Instructing Group" (as defined below), except if:

(1) an event of default under a Future Senior Subordinated Debt finance agreement is continuing (the "**Relevant Future Senior Subordinated Debt Event of Default**");

(2) each Relevant Representative has received notice of the Relevant Future Senior Subordinated Debt Event of Default from the relevant Future Senior Subordinated Debt Representative;

(3) a Standstill Period has expired; and

(4) the Relevant Future Senior Subordinated Debt Event of Default is continuing at the end of the relevant Standstill Period,

provided that in the case of paragraph (2) above only, no such Enforcement Action may be taken if the Security Agent is acting in accordance with the instructions of the Instructing Group to take steps for Enforcement and such proposed Enforcement Action in relation to the Future Senior Subordinated Debt Documents might reasonably be likely to adversely affect such Enforcement Action by the Security Agent.

Standstill on enforcement by Future Senior Subordinated Creditors

A "**Future Senior Subordinated Debt Standstill Period**" shall mean the period starting on the date that the Future Senior Subordinated Debt Representative serves an enforcement notice (a "**Future Senior Subordinated Debt Enforcement Notice**") on the Relevant Representatives until the earliest of:

(a) 179 days after such date;

(b) the date on which the Security Agent takes any Enforcement Action, *provided* that (i) if the Future Senior Subordinated Debt Standstill Period ends pursuant to this paragraph (b), the Future Senior Subordinated Creditors may only take the same Enforcement Action against the same entity as is taken by the Security Agent and may not take any other action against any other member of the Restricted Group or FinCo and (ii) Enforcement Action, for the purposes of this paragraph (b), shall not include action taken to preserve or protect any security as opposed to realize it;

(c) the date on which an insolvency event occurs in respect of a particular Obligor owing Future Senior Subordinated Liabilities and against whom Enforcement Action is to be taken; and

(d) the expiration of any other Future Senior Subordinated Debt Standstill Period which was outstanding at the date that the current Future Senior Subordinated Debt Standstill Period commenced (other than as a result of a cure, waiver or other permitted remedy thereof).

Composition of the instructing creditor groups

The Intercreditor Agreement will generally provide that the Security Agent may refrain from enforcing the Transaction Security unless instructed otherwise by an Instructing Group. Each of the creditor groups referred to below under this caption constitute an "**Instructing Group**."

(a) Subject to paragraphs (b) and (c) below, the Super Senior Lenders, the Additional Credit Facility Lenders and the Priority Hedge Counterparties whose credit participations represent more than 66⅔% of the aggregate credit participations of all Super Senior Lenders, Additional Credit Facility Lenders and Priority Hedge Counterparties (the "**Majority Super Senior Creditors**") and the Majority Senior Secured Creditors (as defined in the Intercreditor Agreement);

(b) In relation to instructions with respect to any Enforcement:

(i) Prior to the first date on which all Super Senior Liabilities have been fully and finally discharged to the satisfaction of the Super Senior Agent (in the case of the Super Senior Lender Liabilities), each Cash Management Provider (as defined in the Intercreditor Agreement) (in the case of its Cash Management Liabilities) and each Priority Hedge Counterparty (in the case of its Priority Hedging Liabilities), whether or not as the result of an enforcement, and the Super Senior Creditors (in that capacity) are under no further obligation to provide financial accommodation to any of the debtors under the debt documents (such date, the "**Super Senior Discharge Date**"), the Majority Super Senior Creditors and the Majority Senior Secured Creditors, in each case subject to a consultation period referred to under the caption "—*Consultation*" below and *provided* that such instructions are consistent with the "Security Enforcement Principles" (as defined below) as generally described below under the caption "—*Security Enforcement Principles*"; and

(ii) On or after the Super Senior Discharge Date but prior to the Senior Secured Debt Discharge Date, the Majority Senior Secured Creditors; and

(c) Following the Senior Secured Debt Discharge Date, those Future Senior Subordinated Creditors whose credit participations at that time aggregate more than 50% of the aggregate credit participations of all Future Senior Subordinated Creditors (the "**Majority Future Senior Subordinated Creditors**").

Consultation

Prior to giving any instructions to the Security Agent to commence enforcement of all or part of the Transaction Security and/or the requesting of a "distressed disposal" and/or the release or disposal of claims or Transaction Security on a distressed disposal (each an "**Enforcement**"), the relevant creditor representative(s) of the Majority Super Senior Creditors or the Majority Senior Secured Creditors shall first notify the Security Agent and the creditor representative for each of the Super Senior Creditors and each of the Senior Secured Creditors that the applicable Transaction Security has become enforceable.

As soon as reasonably practicable after receipt of such a notice instructing the Security Agent to solicit instructions to enforce the Transaction Security or take any other Enforcement Action given by the Majority Super Senior Creditors and/or the Majority Senior Secured Creditors (as the case may be), the Security Agent shall distribute such notice to the relevant addressees promptly upon receipt, following which, each Senior Agent (acting on the instructions of the Majority Super Senior Creditors), the Trustee and the creditor representative(s) of the Future Pari Passu Creditors will consult in good faith with each other and the Security Agent for a period of not less than 30 days from the date such notice is received by such persons (or such shorter period as the relevant parties may agree) (the "**Consultation Period**") with a view to coordinating the instructions to be given by an Instructing Group and agreeing an enforcement strategy.

Generally, no such consultation shall be required (and an Instructing Group shall be entitled to give any instructions to the Security Agent to enforce the Transaction Security or take any other Enforcement Action prior to the end of the Consultation Period, in each case provided such instructions comply with the Security Enforcement Principles ("**Qualifying Instructions**")) where:

(a) the Transaction Security has become enforceable as a result of an insolvency event affecting FinCo, the Issuer, any Obligor (owing liabilities to any Primary Creditor or the Issuer) or any Third Party Security Provider or "significant subsidiary" (as applicable) (each a "**Relevant Company**"); or

(b) subject to no instructions being given by an Instructing Group at any time (whether before or after the end of the Consultation Period) an insolvency event has occurred which is continuing with respect to a Third Party Security Provider or Relevant Company and the Security Agent has not commenced any Enforcement (or any transaction in lieu) or other Enforcement Action at that time with respect to such Third Party Security Provider or Relevant Company, if the Majority Super Senior Creditors or the Majority Senior Secured Creditors determine in good faith (and notify the creditor representatives of each of the other Super Senior Lenders, Cash Management Providers (as defined in the Intercreditor Agreement), Additional Credit Facility Lenders, Priority Hedge Counterparties, the holders of the Senior Secured Notes, the Future Pari Passu Creditors and the Security Agent) that to enter into such consultations and thereby delay the commencement of enforcement of the Transaction Security could reasonably be expected to reduce the amount likely to be realized to a level such that (following application thereof in accordance with the "Payments Waterfall" (as defined below) described below under the caption "*—Application of Proceeds/Waterfall*") the Super Senior Liabilities would not be discharged in full and in this case any instructions will be limited to those necessary to protect or preserve the interests of the Senior Secured Creditors on behalf of which the relevant Instructing Group is acting and the Security Agent shall act in accordance with the instructions first received.

If, following the Consultation Period, the Majority Super Senior Creditors and/or the Majority Senior Secured Creditors have agreed on an enforcement strategy, the Security Agent shall be instructed to implement the same.

Subject to the paragraph below, in the event that conflicting instructions (and for these purposes silence is deemed to be a conflicting instruction) are received from either Instructing Group by the end of (or following) the Consultation Period, the Security Agent shall enforce the Transaction Security and/or refrain from enforcing the Transaction Security and/or take the relevant other Enforcement Action in accordance with the instructions provided by the Majority Senior Secured Creditors, *provided* that any such instructions are Qualifying Instructions and the terms of all instructions received by the Majority Super Senior Creditors during the Consultation Period shall be deemed revoked.

If, prior to the Super Senior Discharge Date, either (x) the Super Senior Discharge Date has not occurred within six months of the end of the Consultation Period, (y) the Security Agent has not commenced any Enforcement (or any transaction in lieu) or other Enforcement Action within three months of the end of the Consultation Period or (z) at any time (whether before or after the end of the Consultation Period) an insolvency event has occurred with respect to a Third Party Security Provider or Relevant Company and the Security Agent has not commenced any Enforcement (or any transaction in lieu) or other Enforcement Action at that time with respect to such Third Party Security Provider or Relevant Company, then, in relation to instructions with respect to any Enforcement, the Security Agent shall thereafter follow any instructions that are subsequently given by the Majority Super Senior Creditors (in each case provided the same are Qualifying Instructions) to the exclusion of those given by the Majority Senior Secured Creditors (to the extent conflicting with any instructions previously given by the Majority Senior Secured Creditors).

Security Enforcement Principles

The Intercreditor Agreement will provide that enforcement of the Transaction Security must be conducted in accordance with the "Security Enforcement Principles," which principles shall include the following:

(a) It shall be the aim of any Enforcement of the Transaction Security to maximize, so far as is consistent with a prompt and expeditious realization of value from Enforcement of the Transaction Security, and in a manner consistent with the Intercreditor Agreement, the recovery by the Super Senior Creditors, the Senior Secured Creditors and their representatives, and the Future Senior Subordinated Creditors (to the extent the Transaction Security is expressed to secure such debt) and their representatives (the "**Security Enforcement Objective**").

(b) Without prejudice to the Security Enforcement Objective and unless otherwise agreed by the Majority Super Senior Creditors, the Transaction Security will be enforced and any other action as to Enforcement will be taken such that either:

(i) all proceeds of Enforcement are received by the Security Agent in cash (or substantially all cash) for distribution in accordance with the Payments Waterfall; or

(ii) sufficient proceeds of Enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the Payments Waterfall, the Super Senior Liabilities are repaid and discharged in full.

(c) The Enforcement Action must be prompt and expeditious and should be reasonably expected to realise value from the Enforcement of the Transaction Security or Distressed Disposal pursuant to Enforcement by no later than the day falling six (6) months after the last day of the Consultation Period.

(d) On:

(i) a proposed Enforcement of any of the Transaction Security over assets other than shares in a member of the Restricted Group, where the aggregate book value of such assets exceeds €5.0 million (or its equivalent); or

(ii) a proposed Enforcement of any of the Transaction Security over some or all of the shares in a member of the Restricted Group over which Transaction Security exists,

the Security Agent (acting on the instructions of the Instructing Group) shall (unless such enforcement is made pursuant to a public auction or process supervised by a court of law which makes a determination as to value) obtain an opinion from a reputable internationally recognized investment bank or international accounting firm or other reputable, third-party professional firm that is regularly engaged in providing valuations of businesses or assets similar or comparable to those charged under the Transaction Security to be enforced (a "**Financial Advisor**") to opine as expert:

(A) on the optimal method of enforcing the Transaction Security so as to achieve the Security Enforcement Objective and maximize the recovery of any such Enforcement Action;

(B) that the proceeds received from Enforcement are fair from a financial point of view after taking into account all relevant circumstances; and

(C) that such sale is otherwise in accordance with the Security Enforcement Objective.

(e) 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. It is understood that the Financial Advisor may limit its liability in respect of the opinion referred to in (c) above to the amount of its fees in respect of such engagement.

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.

Unless otherwise agreed by the Majority Super Senior Creditors, following the expiry of the six (6) month period referred to above, the Security Enforcement Objective shall cease to apply to any enforcement of the Transaction Security until the Super Senior Discharge Date has occurred.

In the event that an Enforcement of the Transaction Security is over assets and shares referred to above and such Enforcement is conducted by way of public auction, any equity investors of the Restricted Group shall be entitled to participate in such auction. Nothing in the Security Enforcement Principles requires Enforcement of Transaction Security to take place by way of public auction.

In the absence of written notice from a Creditor or group of Creditors that are not part of the relevant Instructing Group that such Creditor(s) object(s) to any Enforcement of the Transaction Security on the grounds that such Enforcement Action does not aim to achieve the Security Enforcement Objective (an "**Objection**"), the Security Agent is entitled to assume that such Enforcement of the Transaction Security is in accordance with the Security Enforcement Objective.

If the Security Agent receives an Objection (and without prejudice to the ability of the Security Agent to rely on other advisers and/or exercise its own judgement in accordance with the Intercreditor Agreement), a Financial Advisor's Opinion to the effect that the particular action could reasonably be said to be aimed at achieving the Security Enforcement Objective will be conclusive evidence that the Security Enforcement Objective has been met.

Turnover

The Intercreditor Agreement will also provide that, subject to certain exceptions, if any Primary Creditor receives or recovers the proceeds of any enforcement of any Transaction Security applied other than in accordance with the Payments Waterfall, it shall:

- in relation to receipts or recoveries not received or recovered by way of set-off: (i) hold an amount of that receipt or recovery equal to the relevant liabilities on trust for the Security Agent and separate from other assets, property or funds 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 to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that receipt or recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Application of Proceeds/Waterfall

Subject to certain exceptions, all amounts from time to time received or recovered by the Security Agent in connection with the realization or Enforcement of all or any part of the Transaction Security or otherwise paid to the Security Agent in accordance with the Intercreditor Agreement for application below shall be held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law and in the following order of priority (the "**Payments Waterfall**"):

- **first**, in payment of the following amounts, *inter alia*, in the following order: (i) *pari passu* and *pro rata* any sums owing to the Security Agent, any receiver or any delegate and certain fees, costs and expenses (including the costs of any actual or attempted Enforcement Action); and then (ii) *pari passu* and *pro rata* to each other creditor representative of the Primary Creditors in respect of their costs and expenses (to the extent not included in (i) above and excluding any Hedge Counterparty as its own creditor representative);
- **second**, *pari passu* and *pro rata*, in or towards payment of all costs and expenses incurred by the Super Senior Creditors in connection with the realization or enforcement of Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent;
- **third**, *pari passu* and *pro rata*, in or towards payment to: (i) each creditor representative in respect of a Credit Facility on its own behalf and on behalf of the arrangers under the Super Senior Facilities and lenders under the Credit Facilities (as applicable) at such time; (ii) the Priority Hedge Counterparties (generally, in proportion to each Priority Hedge Counterparty's "super senior" hedging amount subject to a cap in respect of all Priority Hedge Counterparties) and (iii) the Cash Management Providers (as defined in the Intercreditor Agreement);
- **fourth**, *pari passu* and *pro rata* in or towards payment to: to the Trustee on behalf of the holders of the Senior Secured Notes and to the relevant creditor representative of the Future Pari Passu Creditors it represents for application towards any unpaid costs and expenses incurred by or on behalf of any holders of the Senior Secured Notes and Future Pari Passu Creditors 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;
- **fifth**, in or towards payment to: (i) the Trustee on behalf of the holders of the Senior Secured Notes; (ii) each creditor representative of the Future Pari Passu Creditors it represents and (iii) to the Non-Priority Hedge Counterparties, in each case on a *pari passu* and *pro rata* basis;
- **sixth**, (if such Transaction Security is expressed to secure the Future Senior Subordinated Liabilities) *pari passu* and *pro rata* in or towards payment to each Future Senior Subordinated Debt Representative on behalf of the Future Senior Subordinated Creditors it represents for application towards any unpaid costs and expenses incurred by or on behalf of any Future Senior Subordinated Creditors 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;

- **seventh**, (if such Transaction Security is expressed to secure the Future Senior Subordinated Liabilities) to each Future Senior Subordinated Debt Representative on behalf of the Future Senior Subordinated Creditors it represents for application towards the discharge of the Future Senior Subordinated Liabilities on a *pari passu* and *pro rata* basis;
- **eighth**, in payment to any other person to whom the Security Agent is obliged to pay in priority to any debtor under the Intercreditor Agreement or Third Party Security Provider; and
- **ninth**, the balance, if any, in payment to the relevant debtor under the Intercreditor Agreement.

Disposals

Non-distressed Disposals

Generally, in circumstances where a disposal or certain other specified transactions (including mergers, reorganizations and other transactions) are not being effected pursuant to a "Distress Event" (as defined below) (a disposal effected pursuant to a Distress Event being a "**Distressed Disposal**") and are otherwise permitted by the terms of the Indenture, the Cash RCF Facility and the L/G RCF Facility, any Credit Facilities and any Future Pari Passu Debt and the Future Senior Subordinated Debt Documents, the Intercreditor Agreement will provide that the Security Agent is authorized: (i) to release the Transaction Security (and in connection with such release, execute any related documents); and (ii) if the relevant asset consists of shares in the capital of an Obligor, to release the Transaction Security or any other claim in respect of the liabilities secured by the Transaction Security over the assets of that Obligor and the shares in and assets of any of its subsidiaries (and in connection with such release, execute any related documents).

Distressed Disposals

Where a Distressed Disposal of an asset is being effected, the Intercreditor Agreement will provide that the Security Agent is authorized:

(a) to release the Transaction Security, or any other claim over that asset and execute and deliver or enter into any release of that Transaction Security, or claim and issue any letters of non-crystallisation of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;

(b) if the asset which is disposed of consists of shares in the capital of an Obligor, to release: (i) that Obligor and any subsidiary of that Obligor from all or any part of its "borrowing liabilities" and "guarantee liabilities" to the Super Senior Creditors, the Senior Secured Creditors, the Future Senior Subordinated Creditors, the Intra-Group Lenders and the Shareholder Creditors (together, the "**Primary Liabilities**") or "other liabilities" it may have to Shareholder Creditors, Intra-Group Lenders or Obligors (together, the "**Other Liabilities**"); (ii) any Transaction Security granted by that Obligor or any subsidiary of that Obligor over any of its assets and any holding company of that Obligor over any shares, loans, claims or other rights in or against that Obligor; and (iii) any other claim of a Shareholder Creditor, Intra-Group Lender, or another Obligor over that Obligor's assets or over the assets of any subsidiary of that Obligor;

(c) if the asset which is disposed of consists of shares in the capital of any holding company of a Obligor, to release: (i) that holding company and any subsidiary of that holding company from all or any part of its Primary Liabilities and Other Liabilities; (ii) any Transaction Security granted by any subsidiary of that holding company over any of its assets and any holding company of that holding company over shares, loans, claims or other rights in or against that holding company and (iii) any other claim of a Shareholder Creditor, Intra-Group Lender or another Obligor over the assets of any subsidiary of that holding company; and

(d) if the asset which is disposed of consists of shares in the capital of an Obligor or a holding company of an Obligor, to provide for (1) the transfer of liabilities to another Obligor and/or (2) at the discretion of the Security Agent (provided that it is acting in accordance with the Security Enforcement Principles) the disposal, to third parties, of creditors' claims against that Obligor or holding company (which may include claims against the Issuer).

If a Distressed Disposal is being effected such that the claims of the holders of the Future Senior Subordinated Liabilities and Transaction Security over shares in (and any shareholder loans to) the Issuer or assets of a guarantor of Future Senior Subordinated Liabilities or the Issuer will be released, it is a further condition to the release that either:

(i) the Future Senior Subordinated Debt Representative has approved the release on the instructions of the requisite Future Senior Subordinated Debt Creditors (as determined under the relevant Future Senior Subordinated Debt Documents or, if not addressed thereunder, with the approval of at least a majority of such Future Senior Subordinated Liabilities); or

(ii) each of the following conditions are satisfied:

 (A) the proceeds of such sale or disposal are in cash (or substantially in cash);

 (B) all present and future obligations owed to the Senior Secured Parties under the Senior Debt Documents by a member of the Restricted Group, all of whose shares are pledged under the Transaction Security 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 such obligations are not assumed by the purchaser or one of its affiliates), and all Transaction Security in respect of the assets that are sold or disposed of is simultaneously and unconditionally released concurrently with such sale; and

 (C) such sale or disposal is made:

  (I) pursuant to a public auction; or

  (II) where an internationally recognized investment bank or an internationally recognized firm of accountants selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view taking into account all relevant circumstances including the method of enforcement and the circumstances giving rise to such sale, *provided* that the liability of such investment bank or internationally recognized firm of accountants in giving such opinion may be limited to the amount of its fees in respect of such engagement.

The net proceeds of a Distressed Disposal (and the net proceeds of any disposal of liabilities) shall be paid to the Security Agent (as the case may be) for application in accordance with the provisions set forth under "*—Application of Proceeds/Waterfall*" above as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of liabilities has occurred, as if the disposal of liabilities had not occurred.

Option to Purchase

Generally, subject to the following paragraph, following:

(a) any notice that the Transaction Security has become enforceable; or

(b) either (i) an acceleration of the Super Senior Facilities, any Credit Facility, the Senior Secured Notes, the Future Pari Passu Debt or the Future Senior Subordinated Debt, or (ii) the enforcement of any Transaction Security (a "**Distress Event**"),

the holders of the Senior Secured Notes and Future Pari Passu Debt shall have an option to purchase all (but not part) of the Super Senior Lenders' or Additional Credit Facility Lenders' commitments under the Super Senior Facilities or Credit Facility (as applicable) and all their exposures in respect of any Hedging Agreement in respect of Super Senior Facilities or Credit Facility (as applicable) at par plus accrued interest and all other amounts owing under the Super Senior Facilities or Credit Facility and Hedging Agreements (as the case may be).

Following any notice that the Transaction Security has become enforceable or a Distress Event, the holders of the Future Senior Subordinated Debt shall also have an option to purchase all (but not part) of the Senior Secured Debt at par plus accrued interest and all other amounts owing in respect of such Senior Secured Debt, with such purchase to occur all at the same time.

Governing law

The Intercreditor Agreement will be governed by and construed in accordance with English law save for the clause headed "German Law Security Property" and the relevant section of the clause headed "Governing Law," which shall be governed by German law.

DESCRIPTION OF THE NOTES

You will find definitions of certain capitalized terms used in this "Description of the Notes" under the heading "Certain Definitions." For purposes of this "Description of the Notes," references to "we," "our," and "us" refer to the Issuer and its subsidiaries and references to the "Issuer" refer to RENK GmbH (formerly, Rebecca Bidco GmbH). Certain capitalized terms used in this Description of the Notes may have different definitions than the same term used in other sections of this Offering Memorandum.

The Issuer will issue €200.0 million aggregate principal amount of additional 5.75% Senior Secured Notes due 2025 (the "*2021 Additional Notes*") under the indenture dated as of July 13, 2020 (the "*Indenture*"), between, *inter alios*, the Issuer, Deutsche Trustee Company Limited, as trustee (the "*Trustee*"), and Deutsche Bank AG, London Branch, as security agent (the "*Security Agent*") and as paying agent. The Indenture has not been qualified under and does not incorporate or include, by reference or otherwise, nor is it subject to, any of the provisions of the U.S. Trust Indenture Act of 1939, as amended. The proceeds of the offering of the 2021 Additional Notes to be issued on , 2021 (the "*Additional Notes Issue Date*") will be used by the Issuer as set forth under the section titled "*Use of Proceeds*" in this Offering Memorandum.

The Indenture is unlimited in aggregate principal amount, pursuant to which the Issuer has previously issued €320.0 million in aggregate principal amount of 5.75% Senior Secured Notes due 2025 (the "*Original Notes*" and together with the 2021 Additional Notes, and any other Additional Notes (as defined below) subsequently issued under the Indenture, the "*Notes*", unless the context otherwise requires). The 2021 Additional Notes will have the same terms and conditions as the Original Notes and will constitute a single class of securities with the Original Notes and any Additional Notes for all purposes under the Indenture, including, without limitation. waivers, amendments, redemptions and offers to purchase, except as otherwise provided for in the Indenture or set forth herein.

The 2021 Additional Notes will be issued as "Additional Notes" under the Indenture. The 2021 Additional Notes will be issued bearing temporary ISINs and common codes that differ from the ISINs and common codes assigned to the Original Notes, and will also bear the restrictive legend referred to under the heading "Transfer Restrictions". In particular, (a) the 2021 Additional Notes sold pursuant to Rule 144A will have a different temporary ISIN number and common code from, and will not trade fungibly with, the Original Notes sold pursuant to Rule 144A during the period prior to and including the first interest payment date after the Additional Notes Issue Date, and (b) the 2021 Additional Notes sold pursuant to Regulation S will have a temporary ISIN number and common code, and will not trade fungibly with, the Original Notes sold pursuant to Regulation S during the period prior to and including the 40th day following the Additional Notes Issue Date. After such dates, the relevant 2021 Additional Notes are expected to become fully fungible with, and have the same ISIN number and common code as, the relevant Original Notes, as applicable.

We may, subject to applicable law, issue an unlimited principal amount of additional Notes having identical terms and conditions as the Original Notes (the "*Additional Notes*"); provided that, if the Additional Notes are not fungible with the Original Notes for U.S. federal income tax purposes, such Additional Notes will be issued with a separate ISIN code or common code, as applicable, from the Original Notes. We will only be permitted to issue Additional Notes in compliance with the covenants contained in the Indenture, including the covenant restricting the Incurrence of Indebtedness (as described below under "*— Certain Covenants— Limitation on Indebtedness*"). The 2021 Additional Notes shall constitute Additional Notes under the Indenture and shall be deemed to form one series with the Original Notes.

The Indenture is subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements (each as defined below). The terms of the Intercreditor Agreement are important to understanding the terms and ranking of the Liens on the Collateral securing the Notes. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" for a description of the material terms of the Intercreditor Agreement.

This "*Description of the Notes*" is intended to be an overview of the material provisions of the Notes, the Indenture and the Security Documents, and it refers to certain provisions of the Intercreditor Agreement. Since this description of the terms of the Notes is only a summary, you should refer to the Notes, the Indenture, the Intercreditor Agreement and the Security Documents for complete descriptions of the obligations of the Issuer and your rights. Copies of the Indenture are available from us upon request.

The registered Holder of a Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Notes have not been, and will not be, registered under the Securities Act and are subject to certain transfer restrictions.

General

The Notes

The Notes are, or will, upon issuance:

- be general senior obligations of the Issuer;
- be secured as set forth under "— *Security*," on a *pari passu* basis with the interests granted in favor of the Super Senior Facilities and certain Hedging Obligations, except that Holders of the Notes will receive proceeds from enforcement of the Collateral and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the Super Senior Facilities and certain Hedging Obligations (if any), have been repaid in full;
- rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including Indebtedness under the Super Senior Facilities;
- rank senior in right of payment to any existing and future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- be effectively senior to any existing and future Indebtedness of the Issuer that is not secured by the Collateral, to the extent of the value of such Collateral;
- be effectively subordinated to any existing or future Indebtedness or obligation (including obligations to trade creditors) of the Issuer and its Subsidiaries that is secured by property or assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness; and
- be structurally subordinated to any existing or future Indebtedness of the Subsidiaries of the Issuer that are not Guarantors, including obligations owed to trade creditors.

The Guarantees

On the Additional Notes Issue Date, the Notes will be guaranteed by Horstman Defence Systems Limited and Horstman Holdings Limited (the "*Original Guarantors*"). Within 30 days following the Acquisition Closing Date, the Notes will be guaranted by RENK Holdings, Inc. and RENK America LLC (the "*Post-Acquisition Guarantors*" and, together with the Original Guarantors, the "*Guarantors*").

Each Guarantee of a Guarantor is, or will, at the time a Guarantor grants such Guarantee:

- be general senior obligations of the applicable Guarantor;
- be secured as set forth under "— *Security*," on a *pari passu* basis with the interests granted in favor of the Super Senior Facilities and certain Hedging Obligations, except that Holders of the Notes will receive proceeds from enforcement of the Collateral and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the Super Senior Facilities and certain Hedging Obligations (if any), have been repaid in full;
- rank *pari passu* in right of payment with any existing and future indebtedness of the applicable Guarantor that is not subordinated in right of payment to the applicable Guarantee, including Indebtedness under the Super Senior Facilities;
- rank senior in right of payment to any existing and future Indebtedness of the applicable Guarantor that is expressly subordinated in right of payment to the applicable Guarantee;
- be effectively senior to any existing and future Indebtedness of the applicable Guarantor that is not secured by the Collateral owned by such Guarantor, to the extent of the value of such Collateral;
- be effectively subordinated to any existing or future Indebtedness or obligation (including obligations to trade creditors) of the applicable Guarantor that is secured by property or assets that do not secure the applicable Guarantee, to the extent of the value of the property and assets securing such Indebtedness;
- be structurally subordinated to any existing or future Indebtedness of the Subsidiaries of the applicable Guarantor that do not Guarantee the Notes; and
- be subject to the limitations described herein and in "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—Corporate benefit, financial assistance laws, capital maintenance requirements and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*."

Principal and Maturity

The Issuer will issue €200.0 million in aggregate principal amount of 2021 Additional Notes on the Additional Notes Issue Date. The Notes will mature on July 15, 2025. The Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest

Interest on the Notes accrues or will accrue on their outstanding aggregate principal amount at the rate of 5.75% per annum from and including the Issue Date (other than in respect of the 2021 Additional Notes) to but excluding the Maturity Date and is or will be payable semi-annually in arrears on January 15 and July 15 of each year commencing on January 15, 2021 (other than in respect of the 2021 Additional Notes) to the Holder of record of such Notes on January 1 and July 1 immediately preceding each such interest payment date (other than in respect of the 2021 Additional Notes). The Notes shall cease to bear interest at the end of the day immediately preceding the relevant due date for repayment. Interest on the Notes will accrue from the date of original issuance (other than in respect of the 2021 Additional Notes) 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 on the aggregate principal amount outstanding.

Interest payments on the 2021 Additional Notes will commence on the first such interest payment date after the Additional Notes Issue Date and will accrue from the Additional Notes Issue Date. Interest on the 2021 Additional Notes will be payable to the holders of record of the 2021 Additional Notes on January 1 and July 1 immediately preceding each such interest payment date, provided that, in the event the 2021 Additional Notes are issued after the relevant record date for the first such interest payment date, such interest will be payable to the holders of record of the 2021 Additional Notes on the Additional Notes Issue Date.

Interest on overdue principal and interest including Additional Amounts (as defined below), will accrue at a rate that is 1% higher than the interest rate on the Notes.

The rights of Holders to receive the payments of interest on such Notes are subject to applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Methods of Receiving Payments on the Notes

Principal, interest and premium, if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to the Notes represented by one or more Global Note registered in the name of or held by a nominee of a common depositary for Euroclear and Clearstream, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, interest, premium and Additional Amounts if any, on any certificated securities ("*Definitive Registered Notes*") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes. In addition, interest on the Definitive Registered Notes may be paid by check mailed to the person entitled thereto as shown on the register for the Definitive Registered Notes. See "— *Paying Agent and Registrar for the Notes*."

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more Paying Agents for the Notes. The Initial Paying Agent is Deutsche Bank AG, London Branch (the "*Paying Agent*").

The Issuer will also maintain a registrar (the "*Registrar*") and a transfer agent (the "*Transfer Agent*"). The initial Registrar and the initial Transfer Agent is Deutsche Bank Luxembourg S.A. The Registrar and Transfer Agent will maintain a register reflecting ownership of the Notes outstanding from time to time, if any, and will make payments on and facilitate transfers of the Notes on behalf of the Issuer.

The Issuer may change any Paying Agents, Registrars or Transfer Agents for the Notes without prior notice to the Holders of such Notes. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

Guarantees

As of and for the twelve month period ended March 31, 2021, the sales revenue, Adjusted EBITDA and total assets, each calculated on an aggregated, unconsolidated basis and excluding intra-group profits of the Guarantors, together represented more than 85% of the combined sales revenue, combined Adjusted EBITDA and combined total assets of the Group, respectively.

The obligations of the Guarantors will be contractually limited under the applicable 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. For a description of such contractual limitations, see "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—Corporate benefit, financial assistance laws, capital maintenance requirements and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral.*," "*— Other limitations on the Guarantees and the Collateral, including fraudulent conveyance statutes may adversely affect their validity and enforceability.*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*."

While the Issuer has significant operational activities, it will still be dependent upon cash flows from its subsidiaries to meet its obligations. Claims of creditors of non-Guarantor Restricted Subsidiaries, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those Restricted Subsidiaries, and claims of preferred and minority stockholders (if any) of those Restricted Subsidiaries generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders of the Notes. The Notes and each Guarantee therefore will be effectively subordinated to creditors (including trade creditors) and preferred and minority stockholders (if any) of Restricted Subsidiaries of the Issuer (other than the Guarantors). Although the Indenture limits the incurrence of Indebtedness, Disqualified Stock and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture does not impose any limitation on the incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See "*— Certain Covenants—Limitation on Indebtedness*."

In addition, as described below under "*— Certain Covenants—Future Guarantees*" and subject to the Intercreditor Agreement and the Agreed Security Principles, each Restricted Subsidiary that guarantees the Super Senior Facilities, Public Debt or certain other indebtedness shall also enter into a supplemental indenture as a Guarantor of the Notes.

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Super Senior Facilities and the Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory or other legal limitations or requirements, financial assistance, corporate benefit, fraudulent preference, capital maintenance and liquidity protection provisions, "thin capitalization" rules, retention of title claims and similar principles.

Each Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of foreign or state law, or as otherwise required under the Agreed Security Principles to comply with corporate benefit, financial assistance, capital maintenance, liquidity protection and other laws. By virtue of this limitation, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—Corporate benefit, financial assistance laws, capital maintenance requirements and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral.*," "*— Other limitations on the Guarantees and the Collateral, including fraudulent conveyance statutes may adversely affect their validity and enforceability.*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*."

The Guarantee of a Guarantor will terminate and release as described under "*Certain Covenants—Release of the Guarantees*."

Transfer and Exchange

The 2021 Additional Notes will be, issued in the form of several registered notes in global form without interest coupons, as follows:

- 2021 Additional Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be, represented by one or more global notes in registered form without interest coupons attached (the "*144A Global Notes*"). The 144A Global Notes will, on the Additional Notes Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.
- 2021 Additional Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "*Regulation S Global Notes*" and, together with the 144A Global Notes, the "*Global Notes*"). The Regulation S Global Note will, on the Additional Notes Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes ("*Book-Entry Interests*") will be limited to persons that have accounts with Euroclear and Clearstream or persons that may hold interests through such participants.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under the section "*Transfer Restrictions*" in this Offering Memorandum. In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Notes (the "*144A Book-Entry Interests*") may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes (the "*Regulation S Book-Entry Interests*") denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Prior to 40 days after the Additional Notes Issue Date, ownership of Regulation S Book-Entry Interests will be limited to persons that have accounts with Euroclear or Clearstream or persons who hold interests through Euroclear or Clearstream, and any sale or transfer of such interest to US persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A under the Securities Act. Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the 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 the section "*Transfer Restrictions*" in this Offering Memorandum and in accordance with any applicable securities law of any other jurisdiction.

The 2021 Additional Notes will be issued bearing temporary ISINs and common codes that differ from the ISINs and common codes assigned to the Original Notes, and will also bear the restrictive legend referred to under the heading "Transfer Restrictions". In particular, (a) the 2021 Additional Notes sold pursuant to Rule 144A will have a different temporary ISIN number and common code from, and will not trade fungibly with, the Original Notes sold pursuant to Rule 144A during the period prior to and including the first interest payment date after the Additional Notes Issue Date, and (b) the 2021 Additional Notes sold pursuant to Regulation S will have a temporary ISIN number and common code, and will not trade fungibly with, the Original Notes sold pursuant to Regulation S during the period prior to and including the 40th day following the Additional Notes Issue Date. After such dates, the relevant 2021 Additional Notes are expected to become fully fungible with, and have the same ISIN number and common code as, the relevant Original Notes, as applicable.

Any Book-Entry Interest that is transferred will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount, and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer 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 the section "*Transfer Restrictions*" in this Offering Memorandum.

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Definitive Registered Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Paying Agents, the Transfer Agent and the Registrar will be entitled to treat the Holder of a Note as the owner of it for all purposes.

Restricted Subsidiaries and Unrestricted Subsidiaries

As of the Additional Notes Issue Date, all of the Issuer's Subsidiaries will be "Restricted Subsidiaries" for purposes of the Indenture. Prior to the date of completion of the acquisition of the Target Business (the "*CPS Acquisition*" and such date, the "*CPS Acquisition Closing Date*"), the Issuer and its Subsidiaries will not control the Target Business, and the Target Business will not be subject to the covenants described in this Description of the Notes. As such, we cannot assure you that prior to the CPS Acquisition Closing Date, the Target Business will not engage in activities that would otherwise have been prohibited by the Indenture had those covenants been applicable to the Target Business prior to the CPS Acquisition Closing Date. See "*Risk Factors—Risks Related to the Acquisition—The Issuer does not currently control the Target Business and will not control the Target Business until the Acquisition Closing Date*."

Under the circumstances described below under "*— Certain Definitions—Unrestricted Subsidiary*," the Issuer will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

Security

General

On the Additional Notes Issue Date, the Notes will be secured, subject to the Agreed Security Principles, certain perfection requirements and any Permitted Collateral Liens, by security interests granted on an equal and ratable first priority basis over:

- security over the receivables owing to the Parent or any other indirect parent entity in respect of any structural intercompany loans made by it to the Issuer (only to the extent applicable in respect of receivables that will be outstanding on and following the Acquisition Closing Date);
- a pledge over the shares in the Issuer (the "*Issuer Share Pledge*");
- security with respect to the Issuer's material bank accounts (if any) in Germany and Luxembourg,
- a pledge over each Original Guarantor's material bank accounts in certain covered jurisdictions;
- security over any material structural intercompany receivables owed to the Issuer or any Original Guarantor;
- pledges over the shares in each Original Guarantor; and

- substantially all of the assets of each Original Guarantor (pursuant to a floating charge) (collectively, the "*Initial Collateral*").
- Within 30 days following the Acquisition Closing Date, the Notes will, subject to the Agreed Security Principles, be secured by (a) pledges over the shares in each of the Post-Acquisition Guarantors and (b) substantially all of the assets of each Post-Acquisition Guarantor (pursuant to an all asset security agreement) (collectively, the "*Post-Acquisition Collateral*" and, together with the Initial Collateral, the "*Collateral*").

Subject to certain conditions, including compliance with the covenants described under "— *Certain Covenants—Impairment of Security Interest*" and "— *Certain Covenants—Limitation on Liens*," the Issuer and its Restricted Subsidiaries are permitted to grant security over the Collateral in connection with future issuances of Indebtedness or Indebtedness of the Restricted Subsidiaries, including any Additional Notes issued by the Issuer as permitted under the Indenture and the Intercreditor Agreement. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*."

Any other security interests that may in the future be granted to secure obligations under the Notes, any Guarantee and the Indenture would also constitute "Collateral." All Collateral will be subject to the operation of the Agreed Security Principles and any Permitted Collateral Liens.

Notwithstanding the foregoing and the provisions of the covenant described below under "— *Certain Covenants—Future Guarantees*," certain property, rights and assets may not be pledged, and any pledge over property, rights and assets may be limited (or the Liens not perfected), in accordance with the Agreed Security Principles. Pursuant to the Agreed Security Principles, a guarantee or security may not be given, or may be limited. The following is a non-exhaustive summary of certain terms of the Agreed Security Principles which include, among others:

- general legal and statutory limitations, regulatory restrictions, financial assistance, corporate benefit, capital maintenance, equity subordination, fraudulent conveyance and/or preference, "interest stripping," "controlled foreign corporation," transfer pricing or "thin capitalization" rules, tax restrictions, retention of title claims and similar principles may prohibit, limit or otherwise restrict the ability of the Issuer or any Restricted Subsidiary to provide a guarantee or security or may require that the guarantee or security be limited by an amount or otherwise. If any such limit applies, the guarantees and security provided (or the enforceability thereof) will be limited to the maximum amount which the Issuer or the relevant Restricted Subsidiary may provide, having regard to applicable law (including any jurisprudence or case law) and subject to fiduciary duties of management. A guarantee or security interest will not be required if, or its enforceability will be limited if and to the extent that, giving such guarantee or taking such security would expose the directors, officers or employees of the relevant company to a risk of personal liability. The Issuer will use reasonable endeavors to assist in demonstrating that adequate corporate benefit accrues to each Guarantor;
- certain supervisory board, advisory board, works council, regulator or regulatory board (or equivalent), or another external body's or person's consent may be required to enable the Issuer or a Restricted Subsidiary to provide a guarantee or security. Such guarantee and/or security shall not be required unless requested by the agent for the lenders under the Super Senior Facilities Agreement prior to signing any applicable Security Document or supplemental indenture and such consent has been received provided that reasonable endeavors have been used by the Issuer or relevant Restricted Subsidiary (without incurring material cost) to obtain the relevant consent to the extent permissible by law and regulation and such consent has no material adverse impact on relationships with third parties;
- a key factor in determining whether or not a guarantee or security shall be taken (and the extent of the perfection and/or registration of such security) is the applicable time and cost to the Issuer and its Restricted Subsidiaries (including adverse effects in relation to taxes, interest deductibility and stamp duty, notarization, translation costs and registration fees), which shall not be disproportionate to the benefit accruing to the Lenders of obtaining such guarantee, security or perfection;
- the maximum guaranteed or secured amount may be limited to minimize stamp duty, notarization, registration or other applicable fees, taxes and duties where the benefit of increasing the guaranteed or secured amount is disproportionate to the level of such fee, taxes and duties (and in any event the maximum aggregate amount payable by the Issuer and its Restricted Subsidiaries in respect of fees, costs, expenses, disbursements and VAT relating to the provision of guarantees and security shall be limited to an amount to be agreed between the Security Agent and the Issuer);

- it is acknowledged that in certain jurisdictions, it may be impossible, impractical or disproportionately costly to create guarantees or security over certain categories of assets, in which event guarantees or security will not be taken over such assets;
- any assets or companies subject to third-party arrangements which may prevent those assets from being charged or assigned or those companies from giving a security or guarantee (or assets which, if charged or assigned, would give a third party the right to terminate or otherwise amend any rights, benefits and/or obligations of the Issuer or a Restricted Subsidiary in respect of those assets or require the Issuer or any Restricted Subsidiary to take any action materially adverse to their interests) will be excluded from any relevant Security Document and any requirement to give security or guarantee provided that reasonable endeavors (without incurring material cost) to obtain consent to charging any such assets shall be used by the Issuer and the Guarantors if the relevant asset is material and if, in the view of the Issuer (acting reasonably), taking such security will have no material adverse impact on commercial relationships with third parties or otherwise force the Issuer, the relevant Guarantor or the Issuer and its Restricted Subsidiaries to incur any material cost;
- the Issuer and its Restricted Subsidiaries will not be required to give guarantees or enter into Security Documents if (A) it is not within their legal capacity to do so or (B) it would conflict with the fiduciary duties of their directors, officers or employees, contravene any legal or regulatory prohibition, *bona fide* contractual restriction or regulatory condition or result in a risk of personal or criminal liability on the part of any director, officer or employee provided that the Issuer or relevant Restricted Subsidiary shall use reasonable endeavors to overcome any such obstacle without incurring material cost;
- the giving of a guarantee, the granting of security or the perfection of security granted will not be required if it would be unduly burdensome or restrict the ability of the Issuer or relevant Guarantor to conduct its operations and business in the ordinary course or as otherwise permitted by the Super Senior Facilities Agreement and the “finance documents” thereunder (including, without limitation, notification of receivables security to third party debtors or a charge over bank accounts until an enforcement event has occurred and is continuing), and any requirement under these Agreed Security Principles to seek the consent of any person or to take or not take any other action shall be subject to this paragraph;
- unless granted under a global security document governed by the law of the jurisdiction of the Issuer or a Guarantor or under English law, all security (other than share security over its guarantor company subsidiaries, where applicable) shall be governed by the law of and secure assets located in the jurisdiction of incorporation or formation of the Issuer or that Guarantor, provided that any security granted over the shares and assets of a Guarantor organized within the United States may be governed by the law of the State of new York;
- no title investigations or other diligence on assets will be required and no title insurance will be required;
- security or guarantees shall only be required to be given by or in respect of an entity or any assets incorporated or located, as the case may be, in the United States of America, Germany, the United Kingdom, the Netherlands, France, Switzerland, Luxembourg and any other jurisdiction in which a borrower under the Super Senior Facilities Agreement is incorporated (or over the shares of any entity incorporated in such jurisdiction);
- no guarantee or security will be required from or over, or over the assets of, any joint venture or similar arrangement or any minority interest;
- no perfection action will be required in jurisdictions where the Issuer and the Guarantors are not incorporated or formed;
- where a class of assets to be secured includes material and immaterial assets, if the cost of granting security over the immaterial assets is disproportionate to the benefit of such security, security will be granted over the material assets only;
- in no event shall control agreements or perfection by control or similar arrangements be required with respect to any assets (including, but not limited to, deposit or securities accounts and uncertificated shares);
- other than a general security agreement and related filing, no perfection, filing or other action will be required with respect to assets of a type not owned by the Issuer and its Restricted Subsidiaries;
- no security will be granted over escrow accounts in connection with an acquisition, a disposal or an offering of debt securities and share capital increase accounts;
- other than over certain material structural receivables, no security will be granted over intercompany receivables or receivables that are made as part of the cash pooling system of the Issuer and its Restricted Subsidiaries or the Target Group;

- no security will be granted over parts, stock, moveable plant, equipment or receivables if it would require labelling, segregation or periodic listing or specification of such parts, stock, moveable plants, equipment or receivable;
- perfection will not be required in respect of (A) vehicles and other assets subject to certificates of title or (B) letter of credit rights and tort claims (or the local law equivalent);
- no security will be required over any assets subject to security in favor of a third party or any cash constituting regulatory capital or customer cash (and such assets or cash shall be excluded from any relevant Security Document); and
- obligations in respect of the Notes Documents will not be guaranteed by any CFC, any FSHCO or any direct or indirect Subsidiary of a CFC. In addition, no security will be granted over any (i) any assets of any CFC, of any FSHCO or of any direct or indirect Subsidiary of a CFC or (ii) equity interests of a CFC or of a FSHCO, other than 65% of the total outstanding voting equity interests and 100% of the total outstanding non-voting equity interests of such CFC or FSHCO.

As described above, all of the Collateral will also secure the liabilities under the Original Notes, the Super Senior Facilities, as well as certain future Hedging Obligations and any Additional Notes and may also secure certain future indebtedness; *provided*, *however*, that the lenders under the Super Senior Facilities, counterparties to certain future Hedging Obligations and creditors of additional Indebtedness that may be secured on a super-priority basis, will receive the proceeds from the enforcement of the Collateral in priority to the Holders of the Notes and any Additional Notes. See "— *Priority*." See also, "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—Pursuant to the Intercreditor Agreement, creditors under the Super Senior Facilities Agreement and certain hedging obligations are entitled to be repaid with the proceeds of the Collateral sold in any enforcement procedure in priority to the Notes.*"

The lenders under the Super Senior Facilities and/or counterparties to certain future Hedging Obligations and any Additional Notes may also benefit from security which does not secure the Notes offered hereby.

No appraisals of the Collateral have been made in connection with any offering of the Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—It may be difficult to realize the value of the Collateral*."

Priority

The relative priority with regard to the security interests in the Collateral that are created by the Security Documents (the "*Security Interests*" and each a "*Security Interest,*") as between (a) the lenders under the Super Senior Facilities, (b) the counterparties under certain future Hedging Obligations (if any) and (c) the Trustee, the Security Agent and the Holders of the Notes under the Indenture, respectively, is established by the terms of the Intercreditor Agreement, the Indenture, the Security Documents and the security documents relating to the Super Senior Facilities and such Hedging Obligations (if any) which provide, among other things, that the obligations under the Notes will receive proceeds on enforcement of security over the Collateral only after the claims of the Super Senior Facilities and such future Hedging Obligations and any future Indebtedness permitted to be secured on a super-priority basis in accordance with the terms of the Indenture and the Intercreditor Agreement, are satisfied.

See "*Description of Certain Financing Arrangements—Intercreditor Agreement*." In addition, pursuant to the Intercreditor Agreements or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged or assigned to secure other Indebtedness. See "*— Release of Liens*," "*— Certain Covenants—Impairment of Security Interest*" and "*— Certain Definitions—Permitted Collateral Liens*."

Security Documents

Under the Security Documents, security has been or will be granted over the Collateral to secure, *inter alia*, the payment when due of the Issuer's payment obligations under the Notes and the Indenture (including by virtue of a parallel debt arrangement set forth in the Intercreditor Agreement). The Security Documents will be entered into among, *inter alios*, the relevant security provider and the Security Agent as agent for the secured parties. When entering into the Security Documents, the Security Agent will act in its own name, but for the benefit of the secured parties (including itself, the Trustee and the Holders of the Notes from time to time) and, in the case of certain accessory security interests, as creditor under the parallel debt arrangement. Under the Intercreditor Agreement, the Security Agent will also act as an agent of the lenders under the

Super Senior Facilities and the counterparties under certain Hedging Obligations, if any, in relation to the Security Interests created in favor of such parties.

The Indenture and the Intercreditor Agreement provide that, to the extent permitted by the applicable laws, only the Security Agent will have the right to enforce the Security Documents on behalf of the Trustee and the Holders of the Notes. As a consequence of such contractual provisions, Holders of the Notes will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Security Agent under the Indenture. To the extent permitted by the applicable laws and subject to the terms of the Intercreditor Agreement and the Indenture, Holders of the Notes will, in certain circumstances, be entitled to direct the Trustee to provide instructions to the Security Agent for the enforcement of security over the Collateral. Under the Intercreditor Agreement, the Security Agent will also act on behalf of the lenders under the Super Senior Facilities and the counterparties under certain hedging agreements, if any, in relation to the Security Interests in favor of such parties.

The Indenture provides that, subject to the terms thereof and of the Intercreditor Agreement, the Notes and the Indenture, as applicable, will be secured by Security Interests in the Collateral until all obligations under the Notes and the Indenture have been discharged. However, the Security Interests may be released under certain circumstances as provided under "— *Release of Liens*" below. The validity and enforceability of the Security Interests will be subject to, *inter alia*, the limitations described in "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*."

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement was successful, the Holders may not be able to recover any amounts under the Security Documents. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*."

Enforcement of Security Interest

The Security Documents provide or will provide that the rights under the Security Documents must be exercised by the Security Agent. Since the Holders are not a party to the Security Documents, Holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The Holders may only act through the Security Agent or the Trustee (as applicable).

To the extent permitted by the applicable laws and subject to the terms of the Intercreditor Agreement and the Indenture, Holders of the Notes will, in certain circumstances, be entitled to direct the Trustee to provide instructions to the Security Agent for the enforcement of security over the Collateral. The Indenture and the Intercreditor Agreement will restrict the ability of the Holders or the Trustee to enforce the Security Interests and provide for the release of the Security Interests created by the Security Documents in certain circumstances upon enforcement by the lenders under the Super Senior Facilities. These limitations are described under "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*." The ability to enforce may also be restricted by similar arrangements in relation to future Indebtedness that is secured on the Collateral in compliance with the Indenture and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The creditors under the Super Senior Facilities, the counterparties to certain Hedging Obligations (if any) secured by the Collateral and the Trustee have, and by accepting a Note, each Holder will be deemed to have, appointed the Security Agent to act as its agent under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents. The creditors under the Super Senior Facilities, the counterparties to certain Hedging Obligations (if any) secured by the Collateral and the Trustee have, and by accepting a Note, each Holder will be deemed to have, authorized the Security Agent to: (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound

The Indenture provides that the Issuer and the Trustee are authorized (without any further consent of the Holders of the Notes) to enter into the Intercreditor Agreement to give effect to the provisions described in the section entitled "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The Indenture will also provide that each Holder of the Notes, by accepting such Note, will be deemed to have:

(1) appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement and any Additional Intercreditor Agreements;

(2) agreed to be bound by the provisions of the Intercreditor Agreement and the Security Documents;

(3) agreed and acknowledged that the Security Agent will administer the Collateral in accordance with the Intercreditor Agreement, the Indenture and the Security Documents; and

(4) irrevocably appointed the Security Agent and the Trustee to act on its behalf to enter into and comply with the provisions of the Intercreditor Agreement.

Please see the sections entitled "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The Intercreditor Agreement will provide that a common Security Agent, who will also serve as the security agent in relation to the Super Senior Facilities Agreement and any additional secured debt permitted to be incurred under the Indenture and the Super Senior Facilities Agreement, will act only as provided for in the Intercreditor Agreement*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into in compliance with the covenant described under "*— Certain Covenants—Additional Intercreditor Agreements*."

Release of Liens

The Issuer and its Subsidiaries and any provider of Collateral will be entitled to the release of the Security Interests in respect of the Collateral under any one or more of the following circumstances:

(1) in connection with any sale or other disposition of Collateral (other than the Issuer Share Pledge) to (a) any Person other than the Issuer or a Restricted Subsidiary (but excluding any transaction subject to "*— Certain Covenants—Merger and Consolidation*"), if such sale or other disposition does not violate the covenant described under "*— Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" or is otherwise permitted in accordance with the Indenture or (b) any Restricted Subsidiary, *provided* that this clause (b) shall not be relied upon in the case of a transfer of capital stock or of accounts receivable to a Restricted Subsidiary (except to a Receivables Subsidiary) unless the relevant property and assets remain subject to, or otherwise become subject to a Lien in favor of the Notes following such sale or disposal;

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

(3) as described under "*— Amendments and Waivers*";

(4) automatically without any action by the Trustee, if the Lien granted in favor of the Indebtedness that gave rise to the obligation to grant the Lien over such Collateral is released and such Lien is not otherwise required to be granted in favor of the Notes as provided under "*— Certain Covenants—Limitations on Liens*";

(5) upon payment in full of principal, interest and all other obligations on the Notes or defeasance or discharge of the Notes, as provided in "*— Defeasance*" and "*— Satisfaction and Discharge*";

(6) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock of such Unrestricted Subsidiary;

(7) in accordance with an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement;

(8) pursuant to a Permitted Reorganization or (other than the Issuer Share Pledge) in the case of a merger,

consolidation or other transfer of assets in compliance with the covenant described below under "— *Certain Covenants—Merger and Consolidation*";

(9) [reserved]; or

(10) as may be permitted by the covenant described under "— *Certain Covenants—Impairment of Security Interest*" or as otherwise provided in the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement.

At the request of the Issuer, the Security Agent and the Trustee (if required) will take all necessary action required to effectuate any release of Collateral securing the Notes and the Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee (unless action is required by it to effect such release).

Optional Redemption

Except as described below and except as described under "*Redemption for Taxation Reasons*," the Notes are not redeemable until July 15, 2022.

At any time prior to July 15, 2022, the Issuer may redeem up to 40% of the original principal amount of the Notes (including the original principal amount of any Additional Notes (including, for the avoidance of doubt, the 2021 Additional Notes)) with the Net Cash Proceeds of one or more Equity Offerings at a redemption price of 105.75% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to but excluding the applicable redemption date (subject to the rights of Holders of Notes to receive interest on the relevant interest payment date); *provided*, however, that:

(1) at least 60% of the original principal amount of the Notes (including the original principal amount of any Additional Notes (including, for the avoidance of doubt, the 2021 Additional Notes)) remains outstanding after each such redemption; and

(2) the redemption occurs within 180 days after the closing of such Equity Offering upon not less than 10 nor more than 60 days' prior notice.

At any time prior to July 15, 2022, the Issuer may redeem in each calendar year up to 10% of the original principal amount of the Notes (including the original principal amount of any Additional Notes (including, for the avoidance of doubt, the 2021 Additional Notes)) upon not less than 10 nor more than 60 days' notice at a redemption price equal to 103.000% of the aggregate principal amount of the Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to but excluding the applicable redemption date (subject to the rights of Holders of Notes to receive interest on the relevant interest payment date).

On and after July 15, 2022, the Issuer may redeem all or, from time to time, part of the Notes upon not less than 10 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on July 15 of the years indicated below:

Year	Redemption Price
2022	102.875%
2023	101.438%
2024 and thereafter	100.000%

In addition, prior to, July 15, 2022, the Issuer may redeem all or, from time to time, a part of the Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount of the Notes, plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Any such redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent. If such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice shall state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed, *provided* that in no case shall the notice have been delivered less than 10 days or more than 60 days prior to the date on which such redemption (if any) occurs. In addition, the Issuer may provide in such notice that payment of the redemption price and performance of the Issuer's obligations with respect to such redemption may be performed by another Person. In no event shall the Trustee be responsible for monitoring, or charged with knowledge of, the maximum aggregate amount of the Notes eligible under the Indenture to be redeemed.

General

Subject to compliance with the covenants contained in the Indenture, we and our Affiliates may at any time and from time to time repurchase 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. Notice of redemption will be provided as set forth under "— *Selection and Notice*" below.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

Sinking Fund

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Post Tender Redemption

In connection with any tender offer for the Notes, if Holders of Notes of not less than 90% in aggregate principal amount of the applicable outstanding Notes validly tendered and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases all of the 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 tender offer expiration date, to redeem the Notes that remain outstanding in whole, but not in part, following such purchase, at a price (excluding any early tender premium or similar payment) equal to the price offered to each other Holder of 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 such redemption date.

Redemption at Maturity

On July 15, 2025 the Issuer will redeem the Notes that have not been previously redeemed or purchased and cancelled at 100% of their principal amount plus accrued and unpaid interest thereon and Additional Amounts, if any, to the redemption date.

Selection and Notice

If less than all of the Notes is to be redeemed at any time, the Paying Agent or the Registrar will select Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, and in compliance with the requirements of Euroclear or Clearstream, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear or Clearstream, or Euroclear or Clearstream prescribes no method of selection, on a *pro rata* basis by use of a pool factor; *provided, however*, that no Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of € 1,000 will be redeemed. Neither the Trustee, the Paying Agent nor the Registrar will be liable for any selections made in accordance with this paragraph.

If and so long as the Notes are listed on the Official List of The International Stock Exchange Authority Limited and to the extent that the rules and regulations of The International Stock Exchange Authority Limited (the "*Authority*") so require, the Issuer shall notify the Authority of such redemption and, in addition to such publication, not less than 10 days nor more than 60 days prior to the redemption, the Issuer will mail, or at the expense of the Issuer, cause to be mailed, such notice to Holders. All notices to Holders will be validly given if mailed to them at their respective addresses in the register of Holders, if any, maintained by the Registrar. For Notes which are represented by global certificates held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream in substitution for the aforesaid mailing to Holders.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

Redemption for Taxation Reasons

The Issuer may redeem the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior notice to the Holders of the Notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (as defined below under "— *Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer determines in good faith that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any amendment to, or change in an official written position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

a Payor (as defined below) is, or on the next interest payment date in respect of the Notes would be, required to pay Additional Amounts with respect to the Notes or any Guarantee (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts) and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Such Change in Tax Law must be announced and become effective on or after the Issue Date (or if the applicable Relevant Tax Jurisdiction became a Relevant Tax Jurisdiction on a date after the Issue Date, such later date). The foregoing provisions shall apply *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Indenture, with respect to a change or amendments occurring after the time such successor Person becomes a party to the Indenture.

Notice of redemption for taxation reasons will be published in accordance with the procedures described under "— *Selection and Notice*." Notwithstanding the foregoing, no such notice of redemption will be given: (a) earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts; and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer will deliver to the Trustee: (i) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied; and (ii) an opinion of an independent tax counsel of recognized standing and reasonably satisfactory to the Trustee (such approval not to be unreasonably withheld) to the effect that the relevant Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion of tax counsel as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

Withholding Taxes

All payments made by or on behalf of the Issuer or any Guarantor (each, a "*Payor*") in respect of the Notes or with respect to any Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) Germany or any political subdivision or Governmental Authority thereof or therein having power to tax;

(2) any jurisdiction from or through which payment on any such Note or any Guarantee is made by or on behalf of the Payor, or any political subdivision or governmental authority thereof or therein having the power to tax; or

(3) any other jurisdiction in which a Payor is incorporated, organized, engaged in business for tax purposes, or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1), (2) and (3) a "*Relevant Taxing Jurisdiction*"),

will at any time be required by law to be made from any payments made by or on behalf of the Payor or the Paying Agent under or with respect to any Note or any Guarantee, including, without limitation, payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received in respect of such payments on any such Note or Guarantee in the absence of such withholding or deduction; *provided*, *however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or the beneficial owner of a Note (or between a fiduciary, settlor, beneficiary, partner, member or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, without limitation, being resident for tax purposes, or being a citizen or resident, national or domiciliary of, or carrying on a business for tax purposes, or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership, holding or sale of such Note or the receipt of any payment or the exercise or enforcement of rights under such Note, the Indenture or a Guarantee;

(2) any Tax that is imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a written request of the Payor or any other person through whom payment can be made addressed to the Holder, after reasonable notice by the Payor (at least 60 days before any such withholding or deduction would be payable), to provide certification, information, documents or other evidence concerning the nationality, residence or identity or connection with the Relevant Tax Jurisdiction of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Tax but, only to the extent the Holder or beneficial owner is legally entitled to provide such certification or documentation;

(3) any Taxes, to the extent that such Taxes were imposed as a result of the presentation of the Note for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder;

(4) any Taxes that are payable otherwise than by deduction or withholding from a payment of the principal of, premium, if any, or interest, if any, on the Notes or with respect to any Guarantee;

(5) any estate, inheritance, gift, sales, transfer, personal property or similar tax, assessment or other governmental charge;

(6) any Taxes imposed in connection with a Note presented for payment by or on behalf of a Holder or beneficial owner who would have been able to avoid such Tax by presenting the relevant Note to, or otherwise accepting payment from, another Paying Agent in a member state of the European Union or the United Kingdom; or

(7) any combination of the items (1) through (6) above.

In addition, no Additional Amounts shall be paid with respect to a Holder who is a fiduciary or a partnership or any person other than the beneficial owner of the Notes, to the extent that the beneficiary or settler with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settler, member or beneficial owner held such Notes directly.

Notwithstanding any other provision of the Indenture, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "*Code*"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "*FATCA Withholding*"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

The Payor will (i) make or cause to be made any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes or, if such tax receipts are not reasonably available, other reasonable evidence of such payments as soon as reasonably practicable to the Trustee and copied to the Paying Agent. Such copies or other evidence shall be made available to the Holders upon request and will be made available at the offices of the Paying Agent.

If any Payor is obligated to pay Additional Amounts under or with respect to any payment made on any Note or any Guarantee, at least 45 days prior to the date of such payment, the Payor will deliver to the Trustee and the Paying Agent, an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 30 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee and the Paying Agent shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Indenture, the Notes or this "*Description of the Notes*" there is mentioned, in any context:

(1) the payment of principal;

(2) purchase prices in connection with a redemption of Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Notes or any Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay and indemnify the Holder or beneficial owner for any present or future stamp, issue, registration, transfer, court or documentary taxes, or similar charges or levies (including any related interest, penalties or additions to tax) or any other excise, property or similar taxes or similar charges or levies (including any related interest, penalties or additions to tax) that arise in a Relevant Taxing Jurisdiction from the execution, delivery, or registration of any Notes, any Guarantee, the Indenture, or any other document or instrument in relation thereto (other than in each case, in connection with a transfer of the Notes after this Offering) or the receipt of any payments with respect thereto or any such taxes or charges or levies (including any related interest, penalties, or additions to tax) imposed by any jurisdiction as a result of, or in connection with, the enforcement of the Notes or any Guarantee (limited, solely in the case of the receipt of any payments with respect thereto, to taxes or similar charges or levies imposed in a Relevant Taxing Jurisdiction that are not excluded under clauses (1) through (3) above or clauses (5) through (7) above or any combination thereof).

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture and any transfer by a Holder or beneficial owner of its Notes, and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is incorporated, organized, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Notes is made by or on behalf of such Payor, or any political subdivision or taxing authority or agency thereof or therein.

Change of Control

If a Change of Control occurs, subject to the terms of the covenant described under this heading "—*Change of Control*," each Holder will have the right to require the Issuer to repurchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided*, *however*, that the Issuer shall not be obligated to repurchase the Notes as described under this heading "—*Change of Control*," in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes of such series as described under "—*Optional Redemption*" or all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes as described under "—*Optional Redemption*" or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will mail a notice (the "*Change of Control Offer*") to each Holder of Notes, with a copy to the Trustee:

(1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "*Change of Control Payment*");

(2) stating the repurchase date (which shall be no earlier than 10 days nor later than 60 days from the date such notice is mailed) and the record date (the "*Change of Control Payment Date*");

(3) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Notes or part thereof not tendered will continue to accrue interest;

(4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and

(6) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portion thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions of the Notes being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the Paying Agent the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agent will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee (or an authenticating agent) will, at the cost of the Issuer, promptly authenticate and mail (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any, *provided* that each such new Note will be in a principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

If and so long as the Notes are listed on the Official List of The International Stock Exchange Authority Limited and to the extent that the rules and regulations of The International Stock Exchange Authority Limited so require, the Issuer will notify the Authority of any Change of Control Offer.

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place providing for the Change of Control at the time the Change of Control Offer is made. The closing date of any such Change of Control Offer made in advance of a Change of Control may be changed to conform to the actual closing date of the Change of Control, provided that such closing date is not earlier than 30 days nor later than 60 days from the date the Change of Control Offer notice is mailed as described in the second paragraph of this section.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of the conflict.

If Holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes in a Change of Control Offer and the Issuer, or any third-party making a Change of Control Offer in lieu of the Issuer as described above, purchases all of the 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 pursuant to the Change of Control Offer described above, to redeem all Notes that remain outstanding following such purchase at a price in cash equal to 101% of the aggregate principal amount of such Notes, plus accrued and unpaid interest, if any, thereon, to, but excluding the date of redemption.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control may require a mandatory prepayment of certain Indebtedness. In addition, certain events that may constitute a change of control under certain Indebtedness and may require a mandatory prepayment of such Indebtedness may not constitute a Change of Control under the Indenture. Future Indebtedness of the Issuer or its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—We may not be able to repay the Notes, when due or to repurchase the Notes when we are required to do so pursuant to certain events constituting a Change of Control or otherwise, and the Change of Control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events.*"

The definition of "Change of Control" includes a disposition of all or substantially all of the property and assets of the Issuer and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding principal amount of the Notes.

Certain Covenants

Acknowledgment of Control Limitations

The Control Date occurred on February 15, 2021. Prior to the Control Date: (a) to the extent the Issuer undertook under the Notes Documents to procure compliance by members of the Target Group with any term of any Notes Documents (including, for the avoidance of doubt, in respect of the covenant described under the heading "— *Reports*") or where any term of any Notes Document is expressed directly or indirectly to apply to a member of the Target Group, such term, undertaking or requirement was subject to all limitations and restrictions on the influence the Issuer could exercise as a shareholder of the Target (or the access it had to the relevant information in its capacity as shareholder of the Target) in accordance with mandatory German corporate law. However, the Issuer was not obliged to exercise its influence in a way that would legally oblige the Issuer to compensate or to offer any compensation in accordance with the German Stock Corporation Act (including, but not limited to, Sections 311 *et seq.* German Stock Corporation Act) (and, for the avoidance of doubt, no breach of any such term, undertaking or requirement, and no Default or Event of Default, shall have occurred if having exercised all such influence within the limits set forth above, the relevant term, undertaking or requirement is nevertheless breached); and (b) any undertaking given directly by a member of the Target Group only applied in respect of such member of the Target Group and its Subsidiaries and shall have been given towards the Trustee and/or the Security Agent only.

Limitation on Indebtedness

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that the Issuer and any Restricted Subsidiary may Incur Indebtedness (including Acquired Indebtedness) if on the date of such Incurrence and after giving *pro forma* effect thereto (including pro forma application of the proceeds thereof):

(1) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would have been at least 2.0 to 1.0; and

(2) to the extent that the Indebtedness is Senior Secured Indebtedness, the Consolidated Senior Secured Net 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 Indebtedness is incurred would have been no greater than 3.00 to 1.0.

Restricted Subsidiaries of the Issuer that are not Guarantors may only incur Indebtedness pursuant to the first paragraph of this covenant if the aggregate principal amount of outstanding Indebtedness, when taken together with any Refinancing Indebtedness in respect thereof, incurred by Restricted Subsidiaries of the Issuer that are not Guarantors pursuant to the first paragraph of this covenant (calculated at the time of such incurrence and after giving effect to the incurrence of such Indebtedness and the application of proceeds thereof, on a pro forma basis) would not exceed an amount equal to the greater of €20.0 million and 23% of Consolidated EBITDA.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness ("*Permitted Debt*"):

(1) Indebtedness Incurred pursuant to:

   (a) any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding the greater of (i) €70.0 million and (ii) 81% of Consolidated EBITDA *plus*

   (b) any Guarantee Facilities,

   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) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary, so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture; or

(b) without limiting the covenant described under "— *Limitation on Liens*," Indebtedness arising by reason of any Lien granted by or applicable to any Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided*, *however*, that:

(a) in the case of Indebtedness owing by the Issuer to any Restricted Subsidiary that is not a Guarantor (except in respect of intercompany liabilities Incurred in the ordinary course of business or in connection with cash pooling or cash management or tax positions of the Issuer and its Restricted Subsidiaries), such Indebtedness shall be (subject to the Agreed Security Principles and the terms of the Intercreditor Agreement) unsecured and expressly subordinated in right of payment to the prior payment in full in cash of all obligations with respect to the Notes, in the case of the Issuer, and the respective Guarantee, in the case of a Guarantor, in each case pursuant to and to the extent required by the Intercreditor Agreement or any Additional Intercreditor Agreement; and

(b) (i) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary of the Issuer; and (ii) any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary of the Issuer, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Issuer or such Restricted Subsidiary, as the case may be;

(4) (a) Indebtedness represented by the Notes (other than any Additional Notes) outstanding on the Issue Date, the related Guarantees, and any related "parallel debt" obligations under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, (b) any Indebtedness (other than Indebtedness Incurred under the Super Senior Facilities and Indebtedness described in clause (3) of this paragraph) outstanding on the Issue Date, (c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (4) or clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant; (d) Management Advances and (e) any Indebtedness of the Target Group outstanding on the Acquisition Closing Date after giving effect to the Transactions;

(5) Indebtedness of any Person (a) outstanding on the date on which such Person becomes a Restricted Subsidiary or any Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary or (b) Incurred to provide all or a portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which any Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary; *provided*, *however*, that Indebtedness Incurred pursuant to this paragraph (5) is in an aggregate amount not to exceed (x) the greater of (i) €25.0 million and (ii) 29% of Consolidated EBITDA plus (y) unlimited additional Indebtedness to the extent that at the time of such acquisition or other transaction (A) the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio in the first paragraph of this covenant after giving *pro forma* effect to the relevant acquisition and the Incurrence of such Indebtedness pursuant to this clause (5) or (B) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such acquisition or other transaction;

(6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements not for speculative purposes (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(7) Indebtedness consisting of (a) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or Indebtedness otherwise incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate

outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7)(a) and then outstanding, will not exceed at any time outstanding the greater of (x) €40.0 million and (y) 46% of Consolidated EBITDA or (b) obligations under any Operating Lease;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business or in respect of any governmental requirement, *provided*, *however*, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business, (d) guarantees issued to a landlord in respect of leased real property and guarantees and counter-indemnities in favor of financial institutions that have guaranteed real property rent obligations, in each case, in the ordinary course of business, (e) guarantees to a trustee of any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust; provided that the total aggregate amount outstanding under this clause (e) does not exceed the greater of €2.0 million and 2% of Consolidated EBITDA and (f) any Bank Products or related netting or setting off arrangements in the ordinary course of business;

(9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations including in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that, in the case of a disposition, the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

(10)

(a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within 10 Business Days of Incurrence;

(b) customer deposits and advance payments received in the ordinary course of business from customers for goods or services purchased in the ordinary course of business;

(c) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions incurred in the ordinary course of business of the Issuer and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and its Restricted Subsidiaries; and

(d) Indebtedness incurred by a Restricted Subsidiary in connection with bankers' acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case, incurred or undertaken in the ordinary course of business;

(11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of € 25.0 million and 29% of Consolidated EBITDA; provided that Restricted Subsidiaries of the Issuer that are not Guarantors may only incur Indebtedness pursuant to this clause (11) in an amount not to exceed the greater of €15.0 million and 18% of Consolidated EBITDA;

(12) Indebtedness Incurred in a Qualified Receivables Financing;

(13) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed 100% of the Net Cash Proceeds received

by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution, the Initial Equity Contribution or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution, the Initial Equity Contribution or an Excluded Contribution) of the Issuer, in each case, subsequent to the Issue Date; *provided, however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described below under "—*Limitation on Restricted Payments*" to the extent the Issuer and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (13) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described below under "— *Limitation on Restricted Payments*" in reliance thereon;

(14) 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;

(15) Indebtedness under local Credit Facilities in an aggregate principal amount not to exceed, at any time outstanding, the greater of € 10.0 million and 12% of Consolidated EBITDA; and

(16) Indebtedness under daylight borrowing facilities incurred in connection with any refinancing of Indebtedness or incurrence of Indebtedness or other transaction, payment or incurrence not prohibited hereunder (including, without limitation, by way of set-off or exchange), so long as any such Indebtedness is repaid within 5 Business Days of the date on which such Indebtedness is incurred.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and third paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the third paragraph or the first paragraph of this covenant;

(2) all Indebtedness outstanding on the Acquisition Closing Date under the Super Senior Facilities shall be deemed initially Incurred under clause(1) of the third paragraph of this covenant and not the first paragraph or clause (4)(b) of the third paragraph of this covenant, and may not be reclassified;

(3) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(4) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7), (11) or (15) of the third paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(5) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;

(7) for the purposes of determining "Consolidated EBITDA" (x) pro forma effect shall be given to Consolidated EBITDA on the same basis for calculating the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries and (y) in relation to clause (1) of the third paragraph of this covenant, Consolidated EBITDA shall be measured on the most recent date on which new commitments are obtained (in the case of revolving facilities) or the date on which new Indebtedness is Incurred (in the

case of term facilities) and for the period of the most recent four consecutive fiscal quarters ending prior to such date for which such internal consolidated financial statements of the Issuer are available; and

(8) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this "— *Limitation on Indebtedness*." Except as otherwise specified, the amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness. For purposes of determining compliance with this covenant, with respect to Indebtedness Incurred under a Credit Facility, reborrowings of amounts previously repaid pursuant to "cash sweep" provisions or any similar provisions under a Credit Facility that provide that Indebtedness is deemed to be repaid daily (or otherwise periodically), including any revolving indebtedness, shall only be deemed for purposes of this covenant to have been Incurred on the date such Indebtedness was first Incurred and not on the date of any subsequent reborrowing thereof.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under "— *Limitation on Indebtedness*," the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or, at the option of the Issuer, first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that; (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro- denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded, so long as the principal amount of such Refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of Refinancing Indebtedness; (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Acquisition Closing Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to the euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Neither the Issuer nor any Guarantor will incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Guarantee, if any, on substantially identical terms; *provided*, *however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured 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. No Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis.

Limitation on Restricted Payments

The Issuer will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any other payment or distribution on or in respect of the Issuer's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) except:

(i) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer or in Subordinated Shareholder Funding; and

(ii) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or another Restricted Subsidiary on no more than a pro rata basis, measured by value);

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any direct or indirect Parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));

(3) make any principal payment on or with respect to, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to the scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the third paragraph of the covenant described under "— *Limitation on Indebtedness*");

(4) make any payment (other than by capitalization of interest) on or with respect to, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Shareholder Funding; or

(5) make any Restricted Investment in any Person,

(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) are referred to herein as a "*Restricted Payment*"), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default or Event of Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to the Fixed Charge Coverage Ratio contained in the first paragraph of the covenant described under "— *Limitation on Indebtedness*" after giving effect, on a pro forma basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5), (10) and (16) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the fiscal quarter commencing prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the second succeeding paragraph) of property or assets or marketable securities, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Issue Date (other than (w) Subordinated Shareholder Funding or Capital Stock, in each case sold to a Subsidiary of the Issuer, (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause of the second succeeding paragraph and (z) the Initial Equity Contribution, Excluded Contributions or Parent Debt Contributions);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the second succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the second succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary upon such conversion or exchange) but excluding (w) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Issuer, (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the second succeeding paragraph, and (y) the Initial Equity Contribution, Excluded Contributions or Parent Debt Contributions;

(iv) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the second succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary (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) from the disposition of any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date;

(v) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Issuer or a Restricted Subsidiary, 100% of such amount received in cash and the fair market value of any property or marketable securities received by the Issuer or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (11) of the definition of "Permitted Investment"; and

(vi) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary,

provided, *however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included in the foregoing clause (iv), (v) or (vi).

The fair market value of property or assets other than cash covered by the preceding two sentences shall be the fair market value thereof as determined in good faith by an officer of the Issuer, or, if such fair market value exceeds the greater of €20.0 million and 23% of Consolidated EBITDA, by the Board of Directors.

The foregoing provisions will not prohibit any of the following (collectively "*Permitted Payments*"):

(1) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale (other than to a Subsidiary of the Issuer) of, Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through the Initial Equity Contribution, an Excluded Contribution or Parent Debt Contribution) of the Issuer; *provided*, *however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the first paragraph of this covenant and clause (6) of this paragraph and shall not be considered Excluded Contributions or Net Cash Proceeds from a Public Equity Offering for purposes of the "Optional Redemption" provisions of the Indenture;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "— *Limitation on Indebtedness*" above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "— *Limitation on Indebtedness*" above, and that, in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness, Disqualified Stock or Preferred Stock of a Restricted Subsidiary:

(a) (i) from Net Available Cash to the extent permitted under "— *Limitation on Sales of Assets and Subsidiary Stock*" below, but only if the Issuer shall have first complied with the terms described under "— *Limitation on Sales of Assets and Subsidiary Stock*" and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;

(b) following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if the Issuer shall have first complied with the terms described under "— *Change of Control*" and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

(c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness;

(5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (a) €2.0 million plus €2.0 million multiplied by the number of calendar years that have commenced since the Issue Date, *plus* (b) the amount of Net Cash Proceeds received by the Issuer or its Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares, the Initial Equity Contribution or Parent Debt Contribution) of the Issuer from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), to the extent such Net Cash Proceeds have not otherwise been designated as Excluded Contributions and are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant or clause (a) of this paragraph;

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of

any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "— *Limitation on Indebtedness*";

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) dividends, loans, advances or distributions to any Parent or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):

(a) the amounts required for any Parent to pay, any Parent Expenses or any Related Taxes; or

(b) amounts constituting or to be used for purposes of making payments (i) in connection with the Transactions or disclosed in the Original Notes Offering Memorandum or (ii) to the extent specified in clauses (2), (3), (5), (7) and (11) of the second paragraph of the covenant described under "— *Limitation on Affiliate Transactions*";

(10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Issuer or any Parent following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Issuer from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or the Initial Equity Contribution or a Parent Debt Contribution) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer and (b) following the Initial Public Offering, an amount equal to the greater of (A) 7% of the Market Capitalization and 7% of the IPO Market Capitalization, *provided* that in the case of this clause (b)(A) after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 2.25 to 1.0 or (B) 5% of the Market Capitalization and 5% of the IPO Market Capitalization; *provided* that in the case of this clause (b)(B) after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 2.50 to 1.0;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of €25.0 million and 29% of Consolidated EBITDA;

(12) payments by the Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer or any Parent in lieu of the issuance of fractional shares of such Capital Stock, *provided*, *however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(13) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments (or net cash proceeds therefrom) previously made under this clause (13);

(14) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;

(15) 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 Capital Stock (other than the Issuer or any Restricted Subsidiary) on a no more than pro rata basis;

(16) so long as no Default or Event of Default has occurred and is continuing (or would result from), any Restricted Payment; provided that the Consolidated Net Leverage Ratio does not exceed 2.00 to 1.0 on a *pro forma* basis after giving effect to any such Restricted Payment;

(17) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares issued after the Issue Date; and (ii) the declaration and payment of dividends or other distributions to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares issued after the

Issue Date; *provided* that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (17) shall not exceed the Net Cash Proceeds received by the Issuer or a Restricted Subsidiary or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock, the Initial Equity Contribution, a Parent Debt Contribution or an Excluded Contribution) of the Issuer or a Restricted Subsidiary or contributed as Subordinated Shareholder Funding, as applicable, from the issuance or sale of such Designated Preference Shares (and provided that, to the extent so applied, the Net Cash Proceeds, from such sale of Designated Preference Shares or such contribution will be excluded from clause (c)(ii) and (c)(iii) of the second preceding paragraph);

(18) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(19) advances or loans to (or to any person for or in respect of) (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 Subordinated Shareholder Funding (or similar obligations) or Capital Stock of the Issuer or any Parent (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 Subordinated Shareholder Funding (or similar obligations) or Capital Stock of the Issuer or any Parent (other than Disqualified Stock); provided that the total aggregate amount of Restricted Payments made under this clause (19) does not exceed €2.0 million in any calendar year;

(20) dividends, loans, advances, payments or other distributions in amounts required for a direct or indirect parent of the Issuer to pay interest, premium, catch-up payments, make-whole amounts and break costs in respect of Indebtedness, the net cash proceeds of which have been contributed to the Issuer or any of its Restricted Subsidiaries and that has been guaranteed by, or is otherwise considered Indebtedness of, the Issuer or any of its Restricted Subsidiaries incurred in accordance with the covenant described under "— *Limitation on Indebtedness*;"

(21) payments of guaranteed dividends or compensation payments, in each case legally required to be made to any shareholder (other than the Issuer or any of its Subsidiaries) of the Target in connection with a domination and/or profit and loss pooling agreement (*Beherrschungs- und/oder Gewinnabführungsvertrag*) entered into between the Issuer as dominating entity and the Target as dominated entity or any Squeeze Out; and

(22) any dividends, repayments of equity, reductions of capital, loans or any other distribution (a "*tax distribution*") by the Issuer or any Restricted Subsidiary to any Parent that is a member of the same fiscal unity (*steuerliche Organschaft*) for German corporate income tax and trade tax purposes; *provided* that (a) where payments under a German fiscal unity are required to be made by any Parent to cover Taxes on a consolidated basis on behalf of the Issuer and the Restricted Subsidiaries, a tax distribution shall be made in cash to such Parent in accordance with the definition of Permitted Tax Distribution; and (b) the remainder of such tax distribution in excess of the amount permitted pursuant to clause (a) above shall not be paid to such Parent in cash, but instead will be converted into an intercompany loan made by such Parent Entity to the Issuer which constitutes Subordinated Liabilities (as defined in the Intercreditor Agreement).

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by an Officer or the Board of Directors of the Issuer acting in good faith.

For the purposes of calculating "Consolidated EBITDA" *pro forma* effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries.

If any Investment or Restricted Payment would be permitted pursuant to one or more provisions described above and/or one or more of the exceptions contained in the definition of "Permitted Payment" or "Permitted Investment" (or any other definition used in this covenant or such definitions), the Issuer may, at its sole discretion, divide and classify such Investment or Restricted Payment in any manner that complies with this covenant or such definition and may later reclassify in whole or in part any such Investment or Restricted Payment (based on circumstances existing on the date of such reclassification) in whole or in part at any time, so long as the Investment or Restricted Payment (as so reclassified) would be permitted to be made in reliance on the applicable exception as of the date of such reclassification.

Limitation on Liens

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Issuer), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien the "*Initial Lien*"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Notes and the Indenture (or a Guarantee of the Notes in the case of Liens of a Guarantor) are (subject to the Agreed Security Principles) directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b), in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "— *Security—Release of Liens*."

For the purposes of determining compliance with this covenant and for the purposes of the definitions of Permitted Lien and Permitted Collateral Lien, in the event that a Lien meets the criteria of more than one of the categories or exceptions contained in the definition of, as the case may be, "Permitted Lien" or "Permitted Collateral Lien" (or any other definition used in this covenant or such definitions), as applicable, the Issuer may, at its sole discretion, divide and classify such Lien in any manner that complies with this covenant or such definition and may later divide and/or reclassify any such Lien at any time and in any manner that complies with this covenant or such definition.

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock to the Issuer or a Restricted Subsidiary or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;

(B) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(C) sell, lease or transfer any of its property or assets to the Issuer or any Restricted Subsidiary,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) the Indenture, the Notes, any Credit Facility (including the Super Senior Facilities), the Security Documents, any Guarantee and any Intercreditor Agreement and Additional Intercreditor Agreement, (b) any other agreement or instrument with respect to the Issuer, in each case of foregoing sub-clauses (a) and (b) in effect at or entered into on the Issue Date (including the Indenture, the Notes, the Intercreditor Agreement, the Security Documents or any related security documents) or (c) any other agreement or instrument with respect to the Target Group, in each case, in effect at or entered into or committed as at the Acquisition Closing Date; and (in all cases) any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of any such agreements or arrangements referred to in this clause (1) provided that such encumbrances and restrictions are not materially more restrictive, taken as a whole, with respect to

dividend and other payment restrictions than those contained in those agreements as at the Issue Date (with respect to the Issuer) or the Acquisition Closing Date (with respect to the Target Group), as applicable (as determined in good faith by the Issuer);

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary, or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Issuer (as defined under "*—Merger and Consolidation*"), any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Issuer;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an "*Initial Agreement*") or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided*, *however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(4) any encumbrance or restriction:

  (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

  (b) contained in mortgages, charges, pledges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, charges, pledges or other security agreements; or

  (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired, or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the distribution or transfer of the assets or Capital Stock of the joint venture;

(6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all, or substantially all, the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any

Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "— *Limitation on Indebtedness*" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Notes than (i) the encumbrances and restrictions contained in the Indenture or the Super Senior Facilities, together with the security documents associated therewith, or the Intercreditor Agreement, in each case, as in effect on the Issue Date or, with respect to the security documents, the date on which they are entered into, or (ii) as is customary in comparable financings (as determined in good faith by the Board of Directors or an Officer of the Issuer) or where the Issuer determines that such encumbrance or restriction will not adversely affect in any material respect the Issuer's ability to make principal or interest payments on the Notes or (b) constituting an Additional Intercreditor Agreement;

(12) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of the Board of Directors or, an Officer or of the Issuer, are necessary or advisable to effect such Qualified Receivables Financing; or

(13) any encumbrance or restriction existing by reason of any lien permitted under "— *Limitation on Liens*."

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless:

(1) the consideration the Issuer or such Restricted Subsidiary receives (including by way of relief from, or by any Person assuming responsibility for, any liabilities, contingent or otherwise) for such Asset Disposition (including, for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap) is not less than the fair market value of the assets sold (as determined by the Issuer's Board of Directors); and

(2) except where the Asset Disposition is a Permitted Asset Swap, at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Disposition or series of related Asset Dispositions consists of:

(i) cash (including any Net Cash Proceeds received from the conversion within 180 days of such Asset Disposition of securities, notes or other obligations received in consideration of such Asset Disposition);

(ii) Cash Equivalents;

(iii) the assumption by the purchaser of (x) any liabilities recorded on the Issuer's or such Restricted Subsidiary's consolidated balance sheet or the notes thereto (or, if Incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) (other than Subordinated Indebtedness), as a result of which neither the Issuer, nor any of the Restricted Subsidiaries remains obligated in respect of such liabilities or (y) Indebtedness of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, if the Issuer and each other Restricted Subsidiary is released from any guarantee of such Indebtedness as a result of such Asset Disposition;

(iv) Replacement Assets;

(v) any Capital Stock or assets of the kind referred to in clause (D) or (F) in the second paragraph of this covenant;

(vi) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Issuer or any Restricted Subsidiary, but only to the extent that such Indebtedness (i) has been extinguished by the Issuer or the applicable Guarantor and (ii) is not Subordinated Indebtedness of the Issuer or such Guarantor;

(vii) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary, having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at any one time outstanding, not to exceed the greater of €20.0 million and 23% of Consolidated EBITDA (with the fair market value of each issue of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); or

(viii) a combination of the consideration specified in clauses (i) through (vii) of this clause (2).

If the Issuer or any Restricted Subsidiary consummates an Asset Disposition, the Net Cash Proceeds of the Asset Disposition received by the Issuer or a Restricted Subsidiary, within 365 days (or 545 days in the circumstances described in clause (H) below) of the later of (i) the date of completion of such Asset Disposition and (ii) the receipt of such Net Cash Proceeds, may be used by the Issuer or such Restricted Subsidiary to:

(A) (i) prepay, repay, purchase or redeem any Indebtedness Incurred under clause (1) of the third paragraph of the covenant described under "— *Limitation on Indebtedness*" or any Refinancing Indebtedness in respect thereof, (ii) unless included in (A)(i), prepay, repay, purchase or redeem Notes or Indebtedness that is secured by a Lien on the Collateral and that is not subordinated in right of payment or security to the Notes, (iii) prepay, repay, purchase or redeem Indebtedness that is not subordinated in right of payment to the Notes that is secured on assets which do not constitute Collateral, or (iv) prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary that is not a Guarantor (in each case other than Subordinated Indebtedness of the Issuer or a Guarantor or Indebtedness owed to the Issuer or any Restricted Subsidiary); *provided* that the Issuer shall prepay, repay, purchase or redeem Public Debt (other than the Notes) pursuant to clause (ii) only if the Issuer either (1) reduces the aggregate principal amount of the Notes on an equal and ratable basis with any such Indebtedness by purchasing Notes through open-market purchases or in privately negotiated transactions at market prices or (2) makes (at such time or in compliance with this covenant) an offer to Holders to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum total aggregate principal amount of the Notes outstanding plus the total aggregate principal amount outstanding of such Indebtedness (other than the Notes);

(B) purchase any series of Notes pursuant to an offer to all Holders of such Notes at a purchase price in cash equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of relevant record on the record date to receive interest due on the relevant interest payment date);

(C) invest in any Replacement Assets;

(D) acquire all or substantially all of the assets of, or any Capital Stock of, another Similar Business, if, after giving effect to any such acquisition of Capital Stock, the Similar Business is or becomes a Restricted Subsidiary;

(E) make a capital expenditure;

(F) acquire other assets (other than Capital Stock and cash or Cash Equivalents) that are used or useful in a Similar Business;

(G) consummate any combination of the foregoing; or

(H) enter into a binding commitment to apply the Net Cash Proceeds pursuant to clause (A), (C), (D), (E) or (F) of this paragraph or a combination thereof,

provided that, a binding commitment shall be treated as a permitted application of the Net Cash Proceeds from the date of such commitment until the earlier of (x) the date on which such investment is consummated and (y) the 180th day following the expiration of the aforementioned 365 day period, if the investment has not been consummated by that date.

The amount of such Net Cash Proceeds not so used as set forth in this paragraph constitutes "*Excess Proceeds.*" Pending the final application of any such Net Cash Proceeds, the Issuer and its Restricted Subsidiaries may temporarily reduce revolving credit borrowings or other Indebtedness or otherwise invest such Net Cash Proceeds in any manner that is not prohibited by the terms of the Indenture.

On the 366th day (or the 546th day if a binding commitment as described in clause (H) is entered into) after an Asset Disposition, or such earlier time if the Issuer elects, if the aggregate amount of Excess Proceeds exceeds €20.0 million, the Issuer will be required within 10 Business Days thereof to make an offer ("*Asset Disposition Offer*") to all Holders and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof in the case of the Notes.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be repaid or purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, the principal amount of such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "*Asset Disposition Offer Period*"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "*Asset Disposition Purchase Date*"), the Issuer will purchase the principal amount of Notes and, to the extent it elects, Pari Passu Indebtedness required to be repaid or purchased by it pursuant to this covenant (the "*Asset Disposition Offer Amount*") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of € 100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but, in any case, not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the applicable Global Note), and the Trustee (or an authenticating agent), upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book-entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount with a minimum denomination of €100,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book-entry) by the Issuer to the Holder thereof.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

Limitation on Affiliate Transactions

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (any such transaction or series of related transactions being an "*Affiliate Transaction*") involving aggregate value in excess of €5.0 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's length dealings with a Person who is not such an Affiliate; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of €10.0 million, the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the disinterested members of the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "— *Limitation on Restricted Payments*," any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the third paragraph of the covenant described under "— *Limitation on Restricted Payments*") or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b) and (2) of the definition thereof);

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business;

(3) any Management Advances and any waiver or transaction with respect thereto;

(4) any transaction between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries or any Receivables Subsidiary;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) (i) the Transactions (including the extension of, and any payments under, the Shareholder Loans), (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, understanding or instrument in effect as of or on the Issue Date (with respect to the Issuer) or the Acquisition Closing Date (with respect to the Target Group) or described in "*Certain Relationships and Related Party Transactions*" in the Original Notes Offering Memorandum, as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect, and (iii) the entry into and performance of any registration rights or other listing agreement;

(7) the execution, delivery and performance of any Tax Sharing Agreement, the payment of Related Taxes or any arrangement pursuant to which the Issuer or any of its Subsidiaries or any Parent is required or permitted to file a consolidated tax return, or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business, provided that any such consolidated group arrangement does not permit or require cash payment by the Issuer to any Parent in excess of the amount of Tax that would be payable by the Issuer and its Restricted Subsidiaries on a stand-alone basis;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services (including, without limitation, pursuant to joint venture arrangements), in each case in the ordinary course of business, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination

of the Board of Directors or an Officer of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or options, warrants or other rights to acquire Capital Stock or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;

(11) (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of management, consulting, monitoring or advisory fees and related expenses, and investor fees in an aggregate amount not to exceed the greater of (i) €1.0 million and (ii) 1% of Consolidated EBITDA in any 12-month period; (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, and including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities (including, in each case, related costs, taxes and expenses), including in connection with loans, equity, capital market transactions, acquisitions or divestitures, investments or joint ventures, which payments (or agreements providing for such payments) in respect of this clause (11) are approved by a majority of the Board of Directors of the Issuer in good faith; and (c) all reasonable out of pocket costs and expenses incurred by the Initial Investors or any Permitted Holder in connection with its direct or indirect investment in the Issuer and its Restricted Subsidiaries (but, for the avoidance of doubt, excluding in respect of the acquisition of shares in the Issuer and its Restricted Subsidiaries to the extent such payment would violate financial assistance restrictions under applicable law);

(12) 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 standpoint or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate;

(13) investments by any of the Investors in securities of the Issuer or any of the Issuer's Restricted Subsidiaries (and the payment of reasonable out of pocket expenses of the Investors in connection therewith) so long as the investment complies with clause (1) of the preceding paragraph, (ii) the investment is being offered generally to other investors on the same or more favorable terms and (iii) the investment constitutes less than 10% of the proposed issue amount of such class of securities;

(14) any participation in a public tender or exchange offers for securities or debt instruments issued by the Issuer or any of its Subsidiaries that are conducted on arms' length terms and provide for the same price or exchange ratio, as the case may be, to all holders accepting such tender or exchange offer; and

(15) any transaction effected as part of a Qualified Receivables Financing.

Reports

So long as any Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

(1) within 120 days of the end of the Issuer's fiscal year beginning with the fiscal year ending December 31, 2020, annual reports containing, to the extent applicable:

    (i) an operating and financial review of the audited financial statements, including a discussion of the results of operation, financial condition, consolidated EBITDA and liquidity and capital resources;

    (ii) unaudited *pro forma* income statement and balance sheet information of the Issuer (which, for the avoidance of doubt, shall not include provision of a full income statement or balance sheet to the extent not reasonably available, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates; *provided further* that, if such *pro forma* financial information is not reasonably available, the Issuer will provide, in the case of a material acquisition, acquired company financials;

(iii) the audited consolidated balance sheet of the Issuer as at the end of the most recent fiscal year and audited consolidated income statements and statements of cash flow of the Issuer for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years and the report of the independent auditors on the financial statements;

(iv) a description of the business, management and shareholders of the Issuer, all material affiliate transactions, and a description of all material debt instruments; and

(v) a description of material operational risk factors and material subsequent events.

(2) within 60 days of the end of the first, second and third fiscal quarters in each fiscal year of the Issuer beginning with the fiscal quarter ending June 30, 2020, quarterly financial statements of the Issuer containing the following information:

(i) the Issuer's unaudited condensed consolidated balance sheet as at the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year to date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure;

(ii) unaudited *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials);

(iii) an operating and financial review of the unaudited financial statements, including a discussion of the consolidated financial condition, results of operations, consolidated EBITDA and material changes in liquidity and capital resources of the Issuer;

(iv) a discussion of material changes in material debt instruments since the most recent report; and

(v) material subsequent events and any material changes to the risk factors disclosed in the most recent annual report, *provided* that the information described in clauses (iv) and (v) may be provided in the footnotes to such financial statements; and

(3) promptly after the occurrence of a material event that the Issuer announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the Issuer and the Restricted Subsidiaries, taken as a whole, or a senior executive officer or director changes at the Issuer or a change in auditors of the Issuer, a report containing a description of such event.

The Issuer will use its commercially reasonable efforts to, within five Business Days after the delivery of each report discussed in clauses (1) and (2) of the first paragraph of this covenant, conduct a conference call to discuss such report and the results of operation for the relevant reporting period.

In addition, the Issuer shall furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Notes are not freely transferable under the Exchange Act by persons who are not "affiliates" under the Securities Act.

Contemporaneously with the furnishing of each such report discussed above, the Issuer will also post such report on the Issuer's website.

The Issuer shall also make available to Holders and prospective holders of the Notes copies of all reports furnished to the Trustee on the Issuer's or the Target's website and if and so long as the Notes are listed on the Official List of The International Stock Exchange Authority Limited and to the extent that the rules and regulations of The International Stock Exchange Authority Limited so require, make available such reports to the Listing Agent for the purpose of sending to The International Stock Exchange Authority Limited. Notwithstanding the above, the Issuer will be deemed to have provided such reports to the Trustee, the Holders and prospective holders of the Notes if such reports referenced above in clauses (1), (2) and (3) have been posted on the Issuer's or the Target's website.

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided*, *however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. No report need include separate financial statements for any Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in the Original Notes Offering Memorandum. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. generally accepted accounting principles.

To the extent comparable prior period financial information of the Issuer does not exist, the comparable prior period financial information of the Target or special purpose financial information of the Issuer (incorporating such Target financial information) may be provided in lieu thereof.

Notwithstanding the foregoing, the Issuer may satisfy its obligations under clauses (1) and (2) of the first paragraph of this covenant by delivering the corresponding consolidated annual and quarterly reports of any Parent. To the extent that material differences exist between the management, business, assets, shareholding or results of operations or financial condition of the Issuer or any Parent that is the reporting entity (if applicable), the annual and quarterly reports shall include an explanation and an unaudited reconciliation of such material differences. Following an IPO on the Capital Stock of the Issuer or any Parent or Subsidiary thereof and/or the listing of such Capital Stock on an internationally recognized stock exchange, the requirements of this covenant shall be considered to have been fulfilled if the IPO Entity complies with the reporting requirements of such stock exchange and reports consolidated EBITDA and, if the IPO Entity is different than the Issuer following such IPO, and material differences exist between the assets, results of operations or financial condition of the IPO Entity and the Issuer, then the annual and interim reports shall include an explanation and an unaudited reconciliation of such material differences.

At any time that any of the Issuer's subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of the Issuer, then the quarterly and annual financial information required by the first paragraph of this "— *Reports*" covenant will include (i) a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer or (ii) stand-alone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries, together with an unaudited reconciliation to the financial information of the Issuer and its subsidiaries, which reconciliation shall include the following items: sales revenues, consolidated EBITDA, net income, cash, total assets, total debt, shareholder equity, capital expenditures and interest expense.

For the purposes of this covenant, IFRS shall be deemed to be IFRS as in effect from time to time, without giving effect to the proviso in the definition thereof.

All reports provided pursuant to this "— *Reports*" covenant shall be made in the English language.

In the event that (i) the Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC or (ii) the Issuer elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

Delivery of the above reports to the Trustee is for informational purposes only and the Trustee's receipt of such reports will not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's or any other parties' compliance with any of its covenants in the Indenture (as to which the Trustee will be entitled to rely exclusively on Officer's Certificates that are delivered).

Merger and Consolidation

The Issuer

The Issuer will not consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all the assets of the Issuer and its Restricted Subsidiaries, taken as a whole, in one transaction or a series of related transactions to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "*Successor Issuer*") will be a Person organized and existing under the laws of any member state of the European Union, the United Kingdom or the United States of America, any State of the United States or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Issuer (if not the Issuer) will expressly assume, (a) by supplemental indenture, executed and delivered to the Trustee, in form and substance reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture and (b) all obligations of the Issuer under the Intercreditor Agreement, any Additional Intercreditor Agreement and the relevant Security Documents, as applicable;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Issuer or any Subsidiary of the Successor Issuer as a result of such transaction as having been Incurred by the Successor Issuer or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, either (a) the Successor Issuer would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the Fixed Charge Coverage Ratio contained in the first paragraph of the covenant described under "— *Limitation on Indebtedness*" or (b) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such transaction; and

(4) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Issuer (in each case, in form and substance reasonably satisfactory to the Trustee), *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

Any Indebtedness that becomes an obligation of the Issuer or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under "— *Limitation on Indebtedness*."

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Issuer will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Indenture or the Notes.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Guarantors

No Guarantor (other than a Guarantor whose guarantee is to be released in accordance with the terms of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement) may:

(1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving corporation);

(2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all of the assets of such Guarantor and its Restricted Subsidiaries taken as a whole, in one transaction or a series of related transactions, to any Person; or

(3) permit any Person to merge with or into it unless:

    (A) the other Person is the Issuer or any Restricted Subsidiary that is a Guarantor or becomes a Guarantor;

(B) (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Guarantee and the Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee); and (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or

(C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all the assets of a Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture,

provided, however, that the prohibition in clauses (1), (2) and (3) of this paragraph shall not apply to the extent that compliance with paragraphs (A) and (B)(1) could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses.

The provisions set forth in this "— *Merger and Consolidation*" covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary; (ii) a Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Guarantor; (iii) any consolidation or merger of the Issuer into any Guarantor; provided that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable, and clauses (1) and (4) under the heading "— *The Issuer*" shall apply to such transaction; (iv) a Permitted Reorganization and (v) the Issuer or a Guarantor changing legal domicile or legal form or consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; *provided, however*, that clauses (1), (2) and (4) under the heading "— *The Issuer*" or clauses (3)(A) and (3)(B) under the heading "— *Guarantors*," as the case may be, shall apply to any such transaction.

Suspension of Covenants on Achievement of Investment Grade Status

If, on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "*Suspension Event*"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (the "*Reversion Date*"), the provisions of the Indenture summarized under the following captions will not apply to the Notes:

(1) "— *Limitation on Restricted Payments*";

(2) "— *Limitation on Indebtedness*";

(3) "— *Limitation on Restrictions on Distributions from Restricted Subsidiaries*";

(4) "— *Limitation on Affiliate Transactions*";

(5) "— *Impairment of Security Interest*";

(6) "— *Future Guarantees*";

(7) "— *Limitation on Sales of Assets and Subsidiary Stock*"; and

(8) the provisions of clause (3) of the first paragraph of the covenant described under "— *Merger and Consolidation—The Issuer*,"

and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries.

Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer or any of its Restricted Subsidiaries properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default or Event of Default. The "— *Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Indenture but not during the continuance of the Suspension Event. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the third paragraph of the covenant described under "— *Limitation on Indebtedness*." In addition, the Indenture also permits, without causing a Default or Event of Default, the Issuer or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after any date on which the Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Notes no longer having an Investment Grade Status. The Issuer shall notify the Trustee and the Holders of the Notes that the conditions set forth in the first paragraph under this caption has been satisfied, *provided* that, no such notification shall be a condition for the suspension or reversion of the covenants described under this caption to be effective. The Trustee shall not be obliged to notify the Holders of such event. There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

Impairment of Security Interest

The Issuer shall not, and shall not permit any Restricted Subsidiary to, and the Parent and Lux HoldCo shall not, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the proviso below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Parent, Lux HoldCo and the Issuer shall not, and the Issuer shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral, except that (i) the Parent, Lux HoldCo, the Issuer and its Restricted Subsidiaries may Incur Permitted Collateral Liens and may effect a Permitted Reorganization, and the Collateral may be discharged and released and retaken, and the applicable Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified, replaced or released, if applicable, in accordance with the Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement and (ii) the applicable Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified, replaced or released, from time to time to cure any ambiguity, mistake, omission, defect or inconsistency therein; *provided*, *however*, that in the case of clause (i) above, except with respect to any discharge or release in accordance with the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement, the Incurrence of Permitted Collateral Liens or any action expressly permitted by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement, the Security Documents may not be amended, extended, renewed, restated, supplemented, released and retaken, if applicable, or otherwise modified or replaced, unless contemporaneously with any such action, the Issuer delivers to the Trustee and the Security Agent, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee and the Security Agent from an Independent Financial Advisor confirming the solvency of the Parent, Lux HoldCo or the Issuer and their respective Subsidiaries, as applicable, taken as a whole, after giving effect to any transactions related to such amendment extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate from the Board of Directors of the relevant Person which confirms the solvency of the person granting such Security Interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee and the Security Agent, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, supplemented, released, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement.

In the event that the Parent, Lux HoldCo, the Issuer and the Restricted Subsidiaries, as applicable, comply with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

Future Guarantees

Notwithstanding anything to the contrary in this covenant, no Restricted Subsidiary shall Guarantee the Indebtedness outstanding under the Super Senior Facilities, any other Indebtedness with an aggregate outstanding principal amount in excess of €10.0 million or any other Public Debt, in each case of the Issuer or a Guarantor unless such Restricted Subsidiary is or becomes a Guarantor on the date on which the Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture pursuant to which such Restricted Subsidiary will provide a Guarantee, which Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's guarantee of such other Indebtedness; *provided*, however, that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such Guarantee is contrary to the Agreed Security Principles or the Intercreditor Agreement or any Additional Intercreditor Agreement, or could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses. At the option of the Issuer, any Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary.

Guarantees granted pursuant to this provision shall be released as set forth under "— *Release of the Guarantees*." A Guarantee of a Guarantor granted pursuant to this "— *Future* Guarantees" covenant may also be released at the option of the Issuer if at the date of such release either (i) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Acquisition Closing Date and which could not have been Incurred in compliance with the Indenture if such Guarantor had not been designated as a Guarantor, or (ii) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Acquisition Closing Date and which could not have been Incurred in compliance with the Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. At the request of the Issuer, the Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory or other legal limitations or requirements, financial assistance, corporate benefit, capital maintenance, liquidity protection, fraudulent preference, "thin capitalization" rules, retention of title claims and similar principles. By virtue of such limitations, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee.

The validity and enforceability of the Guarantees and the Security Interests and the liability of each Guarantor will be subject to the limitations as described and set out in "*Risk Factors*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*" in this Offering Memorandum.

Release of the Guarantees

The Guarantee of a Guarantor will terminate and release:

(1) upon a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a holding company) or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture;

(2) upon the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;

(3) upon (i) defeasance or discharge of the Notes, as provided in "— *Defeasance*" and "— *Satisfaction and Discharge*" or (ii) the full and final payment and performance of all obligations of the Issuer and the Guarantors under the Indenture and the Notes;

(4) with respect to a Guarantor that is not a Significant Subsidiary, so long as no Event of Default has

occurred and is continuing, to the extent that such Guarantor is unconditionally released and discharged from its liability with respect to the Super Senior Facilities and is not otherwise required to be a Guarantor pursuant to the covenant described under "— *Future Guarantees*";

(5) in accordance with an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement;

(6) as described under "— *Amendments and Waivers*";

(7) as described in the covenant described under "— *Future Guarantees*";

(8) pursuant to a Permitted Reorganization or as a result of a transaction permitted by "— *Merger and Consolidation—Guarantors*"; or

(9) upon the solvent liquidation or winding-up of a Guarantor.

At the request of the Issuer, the Trustee shall take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Trustee without the consent of the Holders. Neither the Trustee nor the Issuer will be required to make a notation on the Notes to reflect any such release, termination or discharge.

Additional Intercreditor Agreements

The Indenture provides that, at the request of the Issuer, in connection with the Incurrence by the Issuer or its Restricted Subsidiaries of any Indebtedness permitted pursuant to the covenant described under "— *Limitation on Indebtedness*" or as contemplated by the Intercreditor Agreement, the Parent, Lux HoldCo, the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an "*Additional Intercreditor Agreement*") or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Guarantees and priority and release of the Security Interest; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities, indemnifications or immunities of the Trustee or Security Agent under the Indenture or the Intercreditor Agreement.

The Indenture also provides that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement or any Additional Intercreditor Agreement or any Security Document to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes, (6) implement any Permitted Liens or Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the Holders in any material respect. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "— *Amendments and Waivers*" or as permitted by the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities, indemnifications or immunities under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided*, *however*, that such transaction would comply with the covenant described under "— *Limitation on Restricted Payments*."

The Indenture also provides that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement, (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement. A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at our offices or at the offices of the listing agent.

Maintenance of Listing

The Issuer will use its commercially reasonable efforts to maintain the listing of the Notes on the Official List of The International Stock Exchange Authority Limited for so long as such Notes are outstanding; provided that if at any time the Issuer determines that it will not maintain such listing, it will obtain prior to the delisting of the Notes from the Official List of The International Stock Exchange Authority Limited, and thereafter use its commercially reasonable efforts to maintain, a listing of such Notes on another recognized stock exchange.

Lines of Business

The Issuer will not, and will not permit any Restricted Subsidiary to, engage in any business other than a Similar Business, except to such extent as would not be material to the Issuer and its Restricted Subsidiaries, taken as a whole.

Financial Calculations

When calculating the availability under any basket or ratio under the Indenture, in each case in connection with any acquisition, disposition, merger, joint venture, investment, incurrence, payment or other similar transaction where there is a time difference between commitment and closing or payment or incurrence (including in respect of incurrence of Indebtedness, Restricted Payments and Permitted Investments), the date of determination of such basket or ratio and of any Default or Event of Default shall, at the option of the Issuer, be the date the binding or definitive agreements for such acquisition, disposition, merger, joint venture, investment, commitment, payment, transaction, event or other similar transaction are entered into and such baskets or ratios shall be calculated on a pro forma basis after giving effect to such acquisition, disposition, merger, joint venture, investment, indebtedness, payment or similar transaction and the other transactions to be entered into in connection therewith (including any incurrence of Indebtedness and the use of proceeds thereof) as if they occurred at the beginning of the applicable reference period for purposes of determining the ability to consummate any such transaction (and not for purposes of any subsequent availability of any basket or ratio). For the avoidance of doubt, (x) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in Consolidated EBITDA of the Issuer or the target company) subsequent to such date of determination and at or prior to the consummation of the relevant transaction or arrangement, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the relevant transaction or arrangement and the related transactions are permitted hereunder and (y) such baskets or ratios shall not be tested at the time of consummation of such transaction or arrangement or related transactions; *provided* that if the Issuer elects to have such determinations occur at the time of entry into such definitive agreement, any such transactions (including any Incurrence of Indebtedness and the use of proceeds thereof) shall be deemed to have occurred on the date the definitive agreements are entered and outstanding thereafter for purposes of calculating any baskets or ratios under the Indenture after the date of such agreement and before the consummation of such transaction or arrangement.

Furthermore, for purposes of the calculation of any ratio under the Indenture, an amount of cash equal to (i) €40.0 million *less* (ii) the actual amount of cash distributed by the Issuer and its Restricted Subsidiaries to the Initial Investors in connection with the Transactions, shall be deemed to have been distributed by the Issuer and its Restricted Subsidiaries to the Initial Investors in connection with the Transactions (the "**Deemed Cash Distribution**"), *provided* that if the amount of cash distributed by the Issuer and its Restricted Subsidiaries to the Initial Investors in connection with the Transactions exceeds €40.0 million, the amount of the Deemed Cash Distribution shall be deemed to be zero.

Events of Default

Each of the following is an "Event of Default" under the Indenture:

(1) default in any payment of interest or Additional Amounts on any Note issued under the Indenture when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by the Parent or Lux HoldCo (in each case only with respect to the covenant described under "*Certain Covenants—Impairment of Security Interest*") or the Issuer or any of its Restricted Subsidiaries to comply for 60 days after written notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes with its other agreements contained in the Indenture (other than a default in performance, or breach, of a covenant or agreement which is specifically addressed in clauses (1) or (2) above);

(4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Issuer or any of its Restricted Subsidiaries) other than Indebtedness owed to the Issuer or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:

   (a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("*payment default*"); or

   (b) results in the acceleration of such Indebtedness prior to its maturity (the "*cross acceleration provision*"),

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €20.0 million or more;

(5) certain events of bankruptcy, insolvency or court protection of the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the "*bankruptcy provisions*");

(6) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €20.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the "*judgment default provision*");

(7) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture and except through the gross negligence or willful misconduct of the Trustee or Security Agent) with respect to Collateral having a fair market value in excess of €10.0 million for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable or the Issuer shall assert in writing that any such security interest is invalid or unenforceable, and (in each case) any such Default continues for 10 days;

(8) any Guarantee of a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Guarantee and (in each case) any such Default continues for 10 days; and

(9) [reserved].

However, a default under clause (3), (4) or (6) above will not constitute an Event of Default until the Trustee or the Holders of 25% in principal amount of the outstanding Notes under the Indenture notify the Issuer of the default and, with respect to such clauses the Issuer does not cure such default within the time specified in such clauses, as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee by notice to the Issuer or the Holders of at least 25% in principal amount of the outstanding Notes under the Indenture by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Notes under the Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. The Trustee shall not be deemed to have notice of any Default or Event of Default unless a written notice of any event which is in fact such a default is received by a Responsible Officer of the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Notes and the Indenture. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (4) above under "— *Events of Default*" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) above shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders, unless such Holders have offered to the Trustee, and the Trustee has received, indemnity and/or security (including by way of pre-funding) satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes, unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 25% in principal amount of the outstanding 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) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Indenture provides that, in the event an Event of Default has occurred and is continuing, of which a responsible officer of the Trustee has received written notice in accordance with the terms of the Indenture, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security (including by way of pre-funding) satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action. Prior to the occurrence of an Event of Default, the Trustee will have no obligation to monitor compliance by the Issuer with the Indenture. The Indenture provides that if a Default occurs and is continuing and a responsible officer of the Trustee is informed in writing in accordance with the terms of the Indenture of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as the Trustee determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Indenture provides that (i) if a Default occurs for a failure to deliver a required certificate in connection with another default (an "*Initial Default*") then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "*Certain Covenants—Reports*" or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

The Indenture provides for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured (including by way of pre-funding) to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions, the Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). However, without the consent of Holders holding not less than 90% of the then outstanding principal amount of the Notes affected, then outstanding, an amendment or waiver may not, with respect to any Notes held by a non-consenting Holder:

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, waiver or modification;

(2) reduce the stated rate of or extend the stated time for payment of interest on any Note;

(3) reduce the principal of or extend the Stated Maturity of any Note;

(4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed, in each case as described above under "— *Optional Redemption*";

(5) make any Note payable in money other than that stated in the Note;

(6) impair the right of any Holder to institute suit for the enforcement of any such payment on or with respect to such Holder's Notes;

(7) make any change in the provision of the Indenture described under "— *Withholding Taxes*" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an

exemption from any obligation to withhold or deduct Taxes so described thereunder, unless the Issuer or the applicable Payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) release all or substantially all of the security interests granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Intercreditor Agreement, any applicable Additional Intercreditor Agreement, the Indenture or the applicable Security Documents;

(9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on the Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration);

(10) release any Guarantor from any of its obligations under its Guarantee or the Indenture, except in accordance with the terms of the Indenture, the Intercreditor Agreement any applicable Additional Intercreditor Agreement; and

(11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Notes Documents to:

(1) cure any ambiguity, omission, defect, error or inconsistency;

(2) provide for the assumption by a successor Person of the obligations of the Issuer, or any Restricted Subsidiary under any Notes Document;

(3) add to the covenants or provide for a Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

(4) make any change that would provide additional rights or benefits to the Trustee or the Holders or that does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Notes Documents;

(5) make such provisions as necessary (as determined in good faith by the Board of Directors or an Officer of the Issuer) for the issuance of Additional Notes;

(6) to provide for any Restricted Subsidiary to provide a Guarantee in accordance with the covenants described under "— *Certain Covenants—Limitation on Indebtedness*" or "— *Certain Covenants—Future Guarantees*," to add Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) to conform the text of the Indenture, any Guarantee, the Security Documents or the Notes to any provision of this "*Description of the Notes*" to the extent that such provision in this "*Description of the Notes*" was intended to be a verbatim recitation of a provision of the Indenture, a Guarantee, the Security Documents or the Notes;

(8) to evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Notes Document;

(9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of the Holders or parties to the Super Senior Facilities, in any property which is required by the Security Documents or the Super Senior Facilities (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest in the Collateral for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under "— *Certain Covenants—Impairment of Security Interest*" is complied with; or

(10) as provided in "— *Certain Covenants—Additional Intercreditor Agreements.*"

In formulating its decision on such matters, the Trustee shall be entitled to require and rely absolutely on such evidence as it deems necessary, including Officer's Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

Acts by Holders

In determining whether the Holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Issuer or by any Person directly or indirectly controlled, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding.

Defeasance

The Issuer at any time may terminate all obligations of the Parent, Lux HoldCo, the Issuer and the Guarantors under the Notes and the Indenture ("*legal defeasance*") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and the Guarantors' obligations under the covenants described under "*Certain Covenants*" (other than clauses (1) and (2) of "— *Certain Covenants—Merger and Consolidation—The Issuer*") and "— *Change of Control*" and the default provisions relating to such covenants described under "*Events of Default*" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to the Issuer and Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "*Events of Default*" above ("*covenant defeasance*").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3), (4), (5) (with respect only to the Significant Subsidiaries), (6) or (7) under "*Events of Default*" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Trustee (or another entity designated or appointed as agent by the Trustee for this purpose) cash in euros or euro-denominated European Government Obligations or a combination thereof sufficient for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel in the United States to the effect that the beneficial owners of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;

(4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940, as amended; and

(5) the Issuer delivers to the Trustee all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when: (1) either: (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Paying Agent for cancellation; or (b) all Notes not previously delivered to the Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity designated by the Trustee for this purpose), money or euro-denominated European Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire indebtedness on the Notes not previously delivered to the Paying Agent for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee to apply the funds deposited towards the payment of the Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "*Satisfaction and Discharge*" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with, *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

If requested in writing by the Issuer, which request may be included in the applicable notice of redemption or pursuant to the applicable Officers' Certificate, the Trustee (or another entity designated by the Trustee for this purpose), shall distribute any amounts deposited to the Holders prior to Stated Maturity or the redemption date, as the case may be; *provided*, however, that the Holders shall have received at least five Business Days' notice from the Issuer of such earlier payment date (which may be included in the notice of redemption). For the avoidance of doubt, the distribution and payment to Holders prior to the maturity or redemption date as set forth above shall not include any negative interest, present value adjustment, additional break cost or any additional premium on such amounts. To the extent the Notes are represented by a Global Note deposited with a depositary for a clearing system, any payment to the beneficial holders holding Book-Entry Interests as participants of such clearing system will be subject to the then applicable procedures of the clearing system.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or any Guarantor under the Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee

Deutsche Trustee Company Limited is to be appointed as Trustee under the Indenture. The Indenture provides that, except during the continuance of an Event of Default of which a responsible officer of the Trustee has received written notice in accordance with the terms of the Indenture, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default of which a responsible officer of the Trustee has received written notice in accordance with the terms of the Indenture, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Indenture imposes certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

The Indenture sets out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Note, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a bona fide Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture contains provisions for the indemnification of the Trustee for any loss, liability, taxes, expenses incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Notices

For so long as any of the Notes are listed on The International Stock Exchange Authority Limited and the rules of The International Stock Exchange Authority Limited so require, notices with respect to the Notes will be published, to the extent and in the manner permitted by such rules, on the official website of The International Stock Exchange Authority Limited (www.tisegroup.com/). In addition, for so long as any Notes are represented by Global Notes, all notices to Holders of the Notes will be delivered by or on behalf of the Issuer to Euroclear and Clearstream.

All notices to Holders of the Notes will be validly given if mailed to them at their respective addresses in the register of Holders, if any, maintained by the Registrar.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it. For so long as any Notes are represented by Global Notes, all notices to Holders of the Notes may be delivered via Euroclear and Clearstream in lieu of notice via registered mail.

Prescription

Claims against the Issuer and the Guarantors for the payment of principal, or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer and the Guarantors for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Euro-Denominated Restrictions

The euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors, if any, under or in connection with the Notes and the Guarantees, if any, including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors, if any, will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors, if any, will indemnify the recipient or the Trustee on a joint or several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be prima facie evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any Guarantee, or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is Incurred or made, as the case may be.

Listing

Application will be made to list the 2021 Additional Notes on the Official List of The International Stock Exchange Authority Limited. There can be no assurance that the application to list the 2021 Additional Notes on the Official List of The International Stock Exchange Authority Limited will be approved and settlement of the 2021 Additional Notes is not conditioned on obtaining such listing.

Enforceability of Judgments

Since most of the assets of the Issuer and the Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer and the Guarantors, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes, the Issuer and the Guarantors will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

Governing Law

The Indenture and the Notes, and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of England and Wales.

Certain Definitions

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"*Acquisition*" means the acquisition by the Issuer of shares in the Target pursuant to the Acquisition Agreement.

"*Acquisition Agreement*" means the share purchase agreement, including any schedules and/or annexes attached thereto, entered into between the Issuer and Volkswagen Vermögensverwaltungs-GmbH, the parent of the Target, on January 30, 2020.

"*Acquisition Closing Date*" means the date of the completion of the Acquisition. The Acquisition was completed on October 6, 2020. "*Affiliate*" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreed Security Principles*" means the agreed security principles appended to the Super Senior Facilities Agreement, as of the date of the Original Notes Offering Memorandum, as applied *mutatis mutandis* with respect to the Notes in good faith by the Issuer.

"*Applicable Premium*" means, with respect to any Note the greater of:

(a) 1% of the principal amount of such Note; and

(b) the excess (to the extent positive) of:

   (A) the present value at such redemption date of (1) the redemption price of such Note at July 15, 2022 (such redemption price (expressed in percentage of principal amount) being set forth in the table under the heading "— *Optional Redemption*" (excluding accrued and unpaid interest)), *plus* (2) all required interest payments due on such Note to and including July 15, 2022 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date *plus* 50 basis points; over

   (B) the outstanding principal amount of such Note, as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate.

For the avoidance of doubt, calculation of Applicable Premium shall not be an obligation or duty of the Trustee, or any Paying Agent or Registrar.

"*Asset Disposition*" means any direct or indirect sale, lease (other than an Operating Lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than Operating Leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory, trading stock, security equipment or other equipment or assets in the ordinary course of business;

(4) a disposition of obsolete, damaged, retired, surplus or worn out equipment or assets or equipment, facilities or other assets that are no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;

(5) transactions permitted under "— *Certain Covenants—Merger and Consolidation*" or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary

or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors or the issuance of directors' qualifying shares and shares issued to individuals as required by applicable law;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer) of not more than the greater of €7.5 million and 9% of Consolidated EBITDA;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "— *Certain Covenants—Limitation on Restricted Payments*" and the making of any Permitted Payment or Permitted Investment or, solely for purposes of the second paragraph of the covenant described under "— *Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*," asset sales, the proceeds of which are used to make such Restricted Payments or Permitted Investments;

(9) the granting of Liens not prohibited by the covenant described above under the caption "— *Certain Covenants—Limitation on Liens*";

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements or any sale of assets received by the Issuer or a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Issuer or any Restricted Subsidiary;

(11) the licensing or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) sales or dispositions of Receivables Assets in connection with any Qualified Receivables Financing, any other factoring transaction or in the ordinary course of business;

(15) any issuance, sale or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and, in each case, comprising all or a portion of the consideration in respect of such sale or acquisition;

(17) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(18) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary, an issuance or sale by a Restricted Subsidiary of Preferred Stock or Disqualified Stock that is permitted by the covenant described above under "— *Certain Covenants—Limitation on Indebtedness*" or an issuance of Capital Stock by the Issuer or pursuant to an equity incentive or compensation plan approved by the Board of Directors;

(19) sales, transfers or other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such sale, transfer or disposition is applied in accordance with the "— *Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" covenant;

(20) any disposition with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture; and

(21) 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.

"*Associate*" means (i) any Person engaged in a Similar Business of which the Issuer or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Issuer or any Restricted Subsidiary.

"*Bank Products*" means any facilities or services related to treasury and/or cash management, cash pooling, treasury, depository, overdraft, BACS, CHAPS, payment lines, processing, credit or debit card, purchase card, returned check concentration, electronic funds transfer, daylight exposures, open credits, contingent obligation lines, letters of credit, the collection of cheques, deposits and direct debits, account reconciliation and reporting, cash, or other cash management and cash pooling arrangements.

"*Board of Directors*" means: (1) with respect to the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; (3) with respect to any limited liability company, the managing member or members (or analogous corporate body) or any controlling committee of managing members thereof; and (4) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function.

Whenever any provision of the Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

The obligations of the "Board of Directors of the Issuer" under the Indenture may be exercised by the Board of Directors of a Restricted Subsidiary or a Parent pursuant to a delegation of powers of the Board of Directors of the Issuer.

"*Bund Rate*" means, as of any computation date, the rate per annum equal to the yield to maturity at such redemption date of direct obligations of the Federal Republic of Germany (*Bunds* or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by the Board of Directors or an Officer of the Issuer) most nearly equal to the period from the redemption date to July 15, 2022; *provided, however*, that if the period from the redemption date to July 15, 2022 is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to July 15, 2022 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in Frankfurt am Main, Germany, or London, United Kingdom are authorized or required by law to close and, with respect to payments to be made under the Indenture, other than any day which is not a TARGET Settlement Day.

"*Capital Stock*" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a lease (including any capitalized lease, finance lease or operating lease) for financial reporting purposes on the basis of IFRS. The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared in accordance with IFRS, and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian governments, a Permissible Jurisdiction, Switzerland or Norway or, in each case, any agency or instrumentality thereof (provided that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof (a "*Deposit*") or cash in credit balance or deposit which are freely transferable or convertible within 90 days of issue or held by any lender party to the Super Senior Facilities or by any bank or trust company (a) if at any time the Issuer or any of its Subsidiaries held Deposits with such bank or trust company (or any branch or subsidiary thereof), (b) whose commercial paper is rated at least "A-3" or the equivalent thereof by S&P or Fitch or at least "P-3" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (c) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €250.0 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "A-3" or the equivalent thereof by S&P or Fitch or "P-3" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, a Permissible Jurisdiction, Switzerland or Norway or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's, Fitch or S&P (or, if at the time, none is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or preferred stock issued by Persons with a rating of "BBB−" or higher from S&P or Fitch or "Baa3" or higher from Moody's (or, if at the time, none is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in the United States, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(8) interests in any investment company, money market or enhanced high yield fund at least 95% of the assets of which constitute cash or Cash Equivalents of the kinds described in any other paragraph of this definition; and

(9) for purposes of clause (2) of the definition of "Asset Disposition," the marketable securities portfolio owned by the Issuer on the Issue Date and the Target on the Acquisition Closing Date.

"*Change of Control*" means the occurrence of any of the following:

(1) the Issuer becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer, *provided* that for the purposes of this clause 1, (x) no Change of Control shall be deemed to occur by reason of the Issuer becoming a Subsidiary of a Successor Parent and (y) any Voting Stock of which any Permitted Holder is the "beneficial owner" (as so defined) shall not be included in any Voting Stock of which any "person" or "group of related persons" is the "beneficial owner" (as so defined) unless that person or group is not an Affiliate of a Permitted Holder and has greater voting power with respect to that Voting Stock; or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders; or

(3) the Parent ceasing to directly own 100% of the total issued share capital and all of the voting rights of the Issuer.

"*Clearstream*" means Clearstream Banking, *société anonyme,* as currently in effect or any successor securities clearing agency.

"*Collateral*" means any and all assets from time to time in which a security interest has been or will be granted on the Issue Date or thereafter pursuant to any Security Document to secure the obligations under the Indenture, the Notes and/or any Guarantee.

"*Commodity Hedging Agreements*" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"*Consolidated EBITDA*" for the period of the four most recent fiscal quarters ending prior to the relevant date of measurement for which internal consolidated financial statements are available, means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense;

(2) Consolidated Income Taxes;

(3) 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 and other 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) for such period;

(4) any fees, expenses, charges or other costs related to any issuance of Capital Stock, listing of Capital Stock, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business and any expenses, charges or other costs related to deferred or contingent payments), disposition, recapitalization or the Incurrence, issuance, redemption or refinancing of any Qualified Receivables Financing, Bank Products or Indebtedness permitted by the Indenture or any amendment, waiver, consent or modification to any document governing any such Qualified Receivables Financing, Bank Products or Indebtedness (whether or not successful) (including any such fees, expenses or charges related to the Transactions), in each case, as determined in good faith by the Board of Directors or an Officer of the Issuer;

(5) any foreign currency losses of the Issuer and its Restricted Subsidiaries (less any foreign currency such gains);

(6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking and any payments to minority shareholders under the Domination Agreement and related to any Squeeze Out, and any costs and expenses (including all legal, accounting and other professional fees and expenses) related thereto;

(7) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to any Permitted Holders to the extent permitted by the covenant described under "— *Certain Covenants—Limitation on Affiliate Transactions*";

(8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges expected to be paid in any future period) less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash expected to be paid in any future period);

(9) payments received or that become receivable with respect to, expenses that are covered by the indemnification provisions in any agreement entered into by such Person in connection with an acquisition to the extent such expenses were included in computing Consolidated Net Income;

(10) the proceeds of any business interruption insurance received or that become receivable during such period;

(11) any Receivables Fees and discounts on the sale of accounts receivables in connection with any Qualified Receivables Financing or other factoring or receivables financing representing, in the Issuer's reasonable determination, the implied interest component of such discount for such period;

(12) costs or expenses incurred pursuant to any management equity plan or stock option plan or any other management or employee benefit plan, agreement or any stock subscription or shareholder agreement, to the extent that such costs or expenses are funded with cash proceeds contributed to the capital of the Issuer or net cash proceeds of an issuance of capital stock of the Issuer solely to the extent that such Net Cash Proceeds are excluded from the build-up basket under the covenant described under "— *Certain Covenants—Limitation on Restricted Payments*";

(13) any charge (or minus any income) attributable to a post-employment benefit scheme other than the current service costs and any past service costs and curtailments and settlements attributable to the scheme;

(14) any charge attributable to earn-out obligations and contingent consideration obligations (including to the extent accounted for as bonuses or otherwise) and adjustments thereof and purchase price adjustment;

(15) cash receipts (or any netting arrangements resulting in reduced cash expenditures) not representing Consolidated EBITDA or Consolidated Net Income in any period to the extent non-cash gains relating to such income were deducted in the calculation of Consolidated EBITDA for any previous period and not added back; and

(16) start-up or initial costs for any project or new production line, division or new line of business or other business optimization expenses or reserves including, without limitation, costs or reserves associated with improvements to IT and accounting functions, integration and facilities opening costs or any one-time costs incurred in connection with acquisitions and Investments and costs related to the closure and/or consolidation of facilities.

"*Consolidated EBITDA*" shall be calculated with such pro forma and other adjustments as are consistent with the pro forma provisions set forth in the definition of Consolidated Net Leverage Ratio.

"*Consolidated Income Taxes*" means taxes or other payments, including deferred Taxes, based on income, profits or capital of any of the Issuer and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

"*Consolidated Interest Expense*" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Issuer and its Restricted Subsidiaries (including net of return on financial investments), whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations;

(2) amortization of original issue discount but excluding amortization of debt issuance costs, fees and expenses and the expensing of any finance costs;

(3) non-cash interest expense;

(4) net costs associated with Hedging Obligations (excluding amortization of fees or any non-cash interest expense attributable to the movement in mark-to-market valuation of such obligations);

(5) the product of (a) all dividends or other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a subsidiary of the Issuer, multiplied by (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by a responsible accounting or financial officer of the Issuer;

(6) the consolidated interest expense that was capitalized during such period; and

(7) interest actually paid by the Issuer or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person,

minus (i) accretion or accrual of discounted liabilities other than Indebtedness, (ii) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition, (iii) interest with respect to Indebtedness of any Holding Company of such Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under IFRS, (iv) any Additional Amounts with respect to the Notes included in interest expense under IFRS or other similar tax gross-up on any Indebtedness included in interest expense under IFRS and (v) any commissions, discounts, yield and other fees and charges related to factoring, receivables or securitization financings. Consolidated Interest Expense shall not include any interest expenses relating to Subordinated Shareholder Funding.

"*Consolidated Net Income*" means, for any period, the net income (loss) of the Issuer and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

(1) any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Issuer's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment or could have been distributed, as reasonably determined by an Officer (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under "— *Certain Covenants—Limitation on Restricted Payments*," any net income (loss) of any Restricted Subsidiary (other than a Guarantor) if such Subsidiary is subject to restrictions on the payment of dividends or the making of distributions by such Restricted Subsidiary to the Issuer by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Indenture, (c) contractual restrictions in effect on the Issue Date with respect to a Restricted Subsidiary (including pursuant to the Super Senior Facilities and the Intercreditor Agreement) and contractual restrictions in effect on the Acquisition Closing Date with respect to the Target Group, and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date (or, with respect to the Target Group, the Acquisition Closing Date), and (d) restrictions specified in clause (11) of the second paragraph of the covenant described under "— *Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*"), except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents or non-cash distributions to the extent converted into cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause 2);

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(4) any extraordinary, one-off, non-recurring, exceptional or unusual gain, loss, expense or charge, including any charges or reserves in respect of any revaluation, restructuring, redundancy, relocation, refinancing, integration or severance or other post-employment arrangements, signing, retention or completion bonuses, transaction costs (including costs related to the Transactions or any investments), acquisition costs, business optimization, system establishment, software or information technology implementation or development, costs related to governmental investigations and curtailments or modifications to pension or post-retirement benefits schemes, litigation or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events), each as determined in good faith by an Officer or the Board of Directors;

(5) at the election of the Issuer, the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards, any non-cash deemed finance charges in respect of any pension liabilities or other provisions, any non-cash net after tax gains or losses attributable to the termination or modification of

any employee pension benefit plan and any charge or expense relating to any payment made to holders of equity based securities or rights in respect of any dividend sharing provisions of such securities or rights to the extent such payment was made pursuant to the covenant described under "— *Certain Covenants—Limitation on Restricted Payments*";

(7) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness or Hedging Obligations and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of Hedging Obligations or other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;

(10) any one-time non-cash charges or any amortization or depreciation, in each case, to the extent related to the Transactions or any acquisition of, merger or consolidation with, another Person or business or resulting from any reorganization or restructuring or Incurrence of Indebtedness involving the Issuer or its Restricted Subsidiaries;

(11) any purchase accounting effects including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenues in component amounts required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to the Issuer and the Restricted Subsidiaries), as a result of any consummated acquisition or the amortization or write off of any amounts thereof (including any write off of in process research and development);

(12) any goodwill or other intangible asset impairment charge or write-off or write-down; and

(13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

"*Consolidated Net Leverage*" means the sum of the aggregate outstanding Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations) *less* cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries, as of the relevant date of calculation on a consolidated basis on the basis of IFRS.

"*Consolidated Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer (or for the four most recent quarters prior to the Acquisition Closing Date, of the Target) are available. In the event that the Issuer or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness subsequent to the commencement of the period for which the Consolidated Net Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Net Leverage Ratio is made (the "*Calculation Date*"), then the Consolidated Net Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer) to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable reference period; *provided*, *however*, that (other than in connection with making any Restricted Payment pursuant to clause (16) of the third paragraph of the covenant described under "*Certain Covenants—Limitation on Restricted Payments*") the *pro forma* calculation shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the third paragraph under "*Certain Covenants—Limitation on Indebtedness*" (other than pursuant to the ratio under clause (5) thereunder) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the third paragraph under "— *Certain Covenants—Limitation on Indebtedness*" (other than pursuant to the ratio under clause (5) thereunder).

In addition, for purposes of calculating the Consolidated Net Leverage Ratio:

(1) acquisitions and Investments (each, a "*Purchase*") that have been made by the Issuer or any of its

Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the Issuer or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer and may include the full run rate effect of cost savings and synergies which are reasonably anticipated to be realized within the next 18 months following the date of such calculation) as if they had occurred on the first day of the reference period; *provided* that, if definitive documentation has been entered into with respect to a Purchase that is part of the transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect to such Purchase (including the full run rate effect of cost savings and synergies which are reasonably anticipated to be realized within the next 18 months following the date of such calculation) as if such Purchase had occurred on the first day of such period, even if the Purchase has not yet been consummated as of the date of determination;

(2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a pro forma basis as if such disposition occurred on the first day of such period (taking into account the full run rate effect of cost savings and synergies which are reasonably anticipated to be realized within the next 18 months following the date of such calculation, resulting from any such disposal, as determined in good faith by a responsible accounting or financial officer of the Issuer);

(3) the Indebtedness attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a pro forma basis as if such disposition occurred on the first day of such period, but only to the extent that the obligations giving rise to such Indebtedness will not be obligations of the Issuer or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such reference period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such reference period; and

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness), and if any Indebtedness is not denominated in the Issuer's functional currency, that Indebtedness for purposes of the calculation of Consolidated Net Leverage shall be determined in accordance with IFRS.

For the purposes of this definition and the definitions of Consolidated Senior Secured Net Leverage Ratio, Fixed Charge Coverage Ratio, Consolidated EBITDA and Consolidated Net Income, calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer (including in respect of the full run rate effect of anticipated cost savings and synergies which are reasonably anticipated to be realized within the next 18 months following the date of such calculation) as though the full effect of synergies and cost savings were realized on the first day of the relevant period and shall also include the reasonably anticipated full run rate cost savings effect (as calculated in good faith by a responsible financial or accounting officer of the Issuer) of cost savings programs and synergies that have been or will be initiated by the Issuer or its Restricted Subsidiaries and are reasonably anticipated to be realized within the next 18 months following the date of such calculation as though such cost savings programs and synergies had been fully implemented on the first day of the relevant period, provided that such anticipated cost savings and synergies (i) are not duplicative of cost savings and synergies already included in such calculation for such period and (ii) do not exceed 20% of Consolidated EBITDA for such period (calculated prior to giving *pro forma* effect to such synergies and cost savings and such cap also taking into account adjustments for synergies and cost savings (but no other items or types of adjustments) made under clauses (1) and (2) above).

"*Consolidated Senior Secured Net Leverage*" means the sum of the aggregate outstanding Senior Secured Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations) *less* cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries, as of the relevant date of calculation on a consolidated basis on the basis of IFRS.

"*Consolidated Senior Secured Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Senior Secured Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer (or for the four most recent quarters prior to the Acquisition Closing Date, of the Target) are available, in each case, calculated with such *pro forma* and other adjustments as are consistent with the pro forma provisions set forth in the definition of Consolidated Net Leverage Ratio.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any Operating Lease, dividend or other obligation that does not constitute Indebtedness ("*primary obligations*") of any other Person (the "*primary obligor*"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

  (a) for the purchase or payment of any such primary obligation; or

  (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Control Date*" refers to the earliest of (i) the date on which a domination and profit and loss pooling agreement (*Beherrschungs- und Gewinnabführungsvertrag*) between the Target, as dominated entity, and the Issuer, as dominating entity is registered in the commercial register of the Target, (ii) the date upon which the Target is converted into a German limited liability company (*Gesellschaft mit beschränkter Haftung—GmbH*), and (iii) the date upon which the Target is merged into the Issuer pursuant to a merger related Squeeze Out or the Target shares of any holder who is not the Issuer or an affiliate of the Issuer are acquired pursuant to a Squeeze Out. The Control Date occurred on February 15, 2021.

"*Credit Facility*" means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, arrangements, instruments or indentures (including the Super Senior Credit Facilities or commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original Super Senior Facilities or one or more other credit or other agreements, indentures, financing agreements or otherwise) and, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer) of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, *less* the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "— *Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*."

"*Designated Preference Shares*" means, with respect to the Issuer or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Restricted Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Restricted Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Restricted Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the first paragraph of the covenant described under "— *Certain Covenants—Limitation on Restricted Payments*."

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case, on or prior to the date that is 90 days after the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a change of control or an asset disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "— *Certain Covenants—Limitation on Restricted Payments*." For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

"*Equity Offering*" means (x) a sale of Capital Stock of the Issuer (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions and other than offerings to the Issuer or any Restricted Subsidiary) or (y) the sale of Capital Stock or other securities by any Person (other than to the Issuer or a Restricted Subsidiary), the proceeds of which are contributed as Subordinated Shareholder Funding or capital contribution or to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or through an Excluded Contribution or a Parent Debt Contribution) of the Issuer or any of its Restricted Subsidiaries.

"*Escrowed Proceeds*" means the proceeds from the offering of any debt securities or other Indebtedness paid into 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.

"*Euro Equivalent*" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Issuer or the Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in *The Financial Times* in the "Currency Rates" section (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, such source as may be selected in good faith by the Board of Directors or an Officer of the Issuer) on the date of such determination.

"*Euroclear*" means Euroclear Bank SA/NV or any successor securities clearing agency.

"*European Government Obligations*" means any security that is (1) a direct obligation of any country that is a member of the European Union on the date of the Indenture or the United Kingdom, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case, under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"*European Union*" means all members of the European Union as of the Issue Date.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Excluded Contribution*" means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or a Parent Debt Contribution or the Initial Equity Contribution) of the Issuer after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares or a Parent Debt Contribution or the Initial Equity Contribution) or Subordinated Shareholder Funding of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

"*fair market value*" wherever such term is used in this "Description of the Notes" or the Indenture (except in relation to an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement and except as otherwise specifically provided in this "*Description of the Notes*" or the Indenture), may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"*Fitch*" means Fitch Ratings Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Fixed Charge Coverage Ratio*" means, as of any date of determination, the ratio of (x) the aggregate amount of Consolidated EBITDA of such Person for the period of the four most recent fiscal quarters prior to the date of such determination for which internal consolidated financial statements are available to (y) the Fixed Charges of such Person for such four fiscal quarters.

In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases, retires, extinguishes or otherwise discharges any Indebtedness (other than Indebtedness incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or issues, repurchases or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "*Calculation Date*"), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of the full run rate effect of cost savings and synergies which are reasonably anticipated to be realized within the next 18 months following the date of such calculation, provided that such anticipated cost savings and synergies (i) are not duplicative of cost savings and synergies already included in such calculation for such period and (ii) do not exceed 20% of Consolidated EBITDA for such period (calculated prior to giving pro forma effect to such synergies and cost savings and such cap also taking into account adjustments for synergies and cost savings (but no other items or types of adjustments) made under clause (1) below), to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance, retirement, extinguishment or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or Preferred Stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided, however*, that (other than for the purposes of the calculation of the Fixed Charge Coverage Ratio under clause (5) of the third paragraph of the covenant under "*—Certain Covenants—Limitation on Indebtedness*") the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Indebtedness incurred on the Calculation Date pursuant to the provisions described in the third paragraph of the covenant described above under "*— Certain Covenants—Limitation on Indebtedness*" (other than pursuant to the ratio under clause (5) thereunder) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the third paragraph of the covenant described above under "*— Certain Covenants—Limitation on Indebtedness*" (other than pursuant to the ratio under clause (5) thereunder).

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions or Investments (each, a "*Purchase*") that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of the full run rate effect of cost savings and synergies which are reasonably anticipated to be realized within the next 18 months following the date of such calculation, as if they had occurred on the first day of the four-quarter reference period; *provided* that, if definitive documentation has been entered into with respect to a Purchase that is part of the transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect to such Purchase (including the full run rate effect of cost savings and synergies which are reasonably anticipated to be realized within the next 18 months following the date of such calculation) as if such Purchase had occurred on the first day of such period, even if the Purchase has not yet been consummated as of the date of determination;

(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 Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period;

(6) if any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness 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); and

(7) Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS.

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the Consolidated Interest Expense of such Person for such period; plus

(2) all dividends, whether paid or accrued and whether or not in cash, on or in respect of all Disqualified Stock of the Issuer or any series of Preferred Stock of any Restricted Subsidiary, other than dividends on equity interests payable to the Issuer or a Restricted Subsidiary.

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, *however*, that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"*Guarantee Facilities*" means one or more Credit Facilities with commercial banks providing for the issuance of letters of credit, guarantees, performance guarantees, documentary credits, indemnities or other similar instruments (for the avoidance of doubt, excluding, in each case, any instrument which constitutes a credit guarantee or similar credit security instrument with respect to Indebtedness for borrowed money), including the Super Senior Guarantee Facility, in each case, as amended, restated, modified, renewed, refunded, replaced in any manner (whether upon or after termination or otherwise) in whole or in part from time to time; provided, however, that the committed amount under all such Guarantee Facilities (including all unutilized amounts thereunder, the aggregate issued thereunder and not been reimbursed) shall not at any time exceed the greater of (i) €175.0 million and (ii) 201% of Consolidated EBITDA.

"*Guarantor*" means any Restricted Subsidiary that Guarantees the Notes from time to time.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

"*Holder*" means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

"*Holding Company*" means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

"*IFRS*" means International Financial Reporting Standards (formerly International Accounting Standards) endorsed by the European Union (a) for purposes of the "*Reporting*" covenant, as in effect from time to time and (b) for other purposes, as in effect on the Issue Date.

"*Incur*" means issue, create, assume, enter into any Guarantee of, incur or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time, such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise), will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary, and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder.

"*Indebtedness*" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables or other obligations not constituting Indebtedness and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Board of Directors or an Officer of the Issuer) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term "Indebtedness" shall not include (i) Subordinated Shareholder Funding, (ii) any lease, concession or license of property (or Guarantee thereof) which would not be considered a Capitalized Lease Obligation, (iii) prepayments of deposits received from clients or customers in the ordinary course of business, (iv) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date (with respect to the Issuer) or the Acquisition Closing Date with respect to the Target Group) or in the ordinary course of business, (v) any asset retirement obligations or (vi) any accrued expenses and trade payables.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7) or (8) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(1) Contingent Obligations Incurred in the ordinary course of business, obligations under or in respect of Qualified Receivables Financings and any non-interest-bearing installment obligations and accrued liabilities Incurred in the ordinary course of business that are not more than 120 days past due;

(2) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided*, *however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;

(3) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;

(4) obligations and liabilities under or in respect of Bank Products or under or in respect of any factoring, receivables or securitization financings that are non-recourse; or

(5) indebtedness in respect of letters of credit, bank guarantees, performance bonds or surety bonds provided by the Issuer or any Restricted Subsidiary in the ordinary course of business to the extent that such instruments 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 by no later than 30 Business Days following receipt by such person of a demand for reimbursement following payment on the relevant instrument.

"*Independent Financial Advisor*" means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided*, *however*, that such firm or appraiser is not an Affiliate of the Issuer.

"*Initial Equity Contribution*" means the 'Equity Contribution' made on or prior to the Acquisition Closing Date as set forth in the section titled "*Use of Proceeds*" in the Original Notes Offering Memorandum.

"*Initial Investors*" means (1) the limited partnerships comprising Triton Fund V or any of their respective Affiliates, (2) any other trust, fund, company or partnership owned, managed or advised by Triton Investment Management Limited or any of its Affiliates, and the affiliates of any such trust, fund, company or partnership, or (3) any limited partner of any such trust, fund, company or partnership referred to in (2) or any of their respective Affiliates, in each case from time to time (but, for the avoidance of doubt, excluding any portfolio companies of any of the Initial Investors).

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of any IPO Entity following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of any such entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Intercreditor Agreement*" means the intercreditor agreement dated July 13, 2020 between, *inter alios*, the Issuer, Deutsche Bank AG, London Branch, as agent, the Trustee, the Security Agent and certain other entities (as named therein), as amended from time to time.

"*Interest Rate Agreement*" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"*Investment*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided*, *however*, that endorsements of negotiable instruments and documents in the ordinary course of business and unfunded pension fund and other employee benefit plan obligations and liabilities to the extent permitted to remain unfunded under applicable law will not be deemed to be an Investment. If the Issuer, or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the fourth paragraph of the covenant described above under the caption "— *Certain Covenants— Limitation on Restricted Payments*."

For purposes of "— *Certain Covenants—Limitation on Restricted Payments:*"

(1) "Investment" will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors or an Officer of the Issuer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any returns (including dividends, payments, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) in respect of such Investments.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a Permissible Jurisdiction, Switzerland or Norway or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "BBB" or higher from S&P or Fitch or "Baa3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's, Fitch or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries;

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution; and

(5) any investment in repurchase obligations with respect to any securities of the type described in clauses (1), (2) and (3) above which are collateralized at par or over.

"*Investment Grade Status*" shall occur when all of the Notes receive both of the following:

(1) a rating of "BBB−" or higher from S&P or Fitch; and

(2) a rating of "Baa3" or higher from Moody's,

or the equivalent of such rating by any such rating organization or, if no rating of Moody's, Fitch or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"*IPO Entity*" means the Issuer or any Parent or any successor of the Issuer or any Parent.

"*IPO Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity (or other applicable entity) at the time of closing of the Initial Public Offering multiplied by (ii) the price per shares at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"*Issue Date*" means July 13, 2020.

"*Issuer*" means RENK GmbH (formerly Rebecca BidCo GmbH) or any other Successor Issuer in accordance with the Indenture.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"*Lux HoldCo*" means Triton V LuxCo 31 S.à r.l. or any successor.

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Issuer or any Restricted Subsidiary:

(1) (a) in respect of travel, entertainment or moving-related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer, its Subsidiaries or any Parent with (in the case of this sub-clause (b)) the approval of the Board of Directors;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) (in the case of this clause (3)) not exceeding the greater of €2.0 million and 2% of Consolidated EBITDA in the aggregate outstanding at any time.

"*Management Investors*" means (i) any current, former or future employees, officers, directors or members of the management team of, or consultants to, the Issuer or its Subsidiaries or Affiliates or any Parent, who beneficially own or have the right to acquire, directly or indirectly, Capital Stock, or invest or subsequently invest, directly or indirectly, in the Issuer or any of its Restricted Subsidiaries or any Parent from time to time and (ii) any trust, partnership, legal representatives or other person or entity that may hold shares on behalf of, or for the benefit of, or transferred by (or the beneficial owner of which, directly or indirectly, is) any person referred to in clause (i).

"*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 (or other applicable entity) on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Moody's*" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Nationally Recognized Statistical Rating Organization*" means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) under the Exchange Act.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees

and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Issuer or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition.

"*Net Cash Proceeds"* with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of Taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any Tax Sharing Agreements).

"*Notes Documents*" means the Notes (including Additional Notes issued from time to time), the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

"*Offering Memorandum*" means this offering memorandum relating to the 2021 Additional Notes.

"*Officer*" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such Person. The obligations of an "Officer of the Issuer" may be exercised by the Officer of any Restricted Subsidiary or the Issuer who has been delegated such authority by the Board of Directors of the Issuer.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*Operating Lease*" means a lease that would have been treated, classified and accounted for as an operating lease under IAS 17 as in effect on December 31, 2018.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Issuer or its Subsidiaries.

"*Original Notes Offering Memorandum*" means the final offering memorandum relating to the Original Notes dated July 2, 2020.

"*Parent*" means Rebecca FinCo GmbH and any Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

"*Parent 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 any Restricted Subsidiary or Subordinated Shareholder Funding or otherwise lent as a proceeds loan to the Issuer or any of its Restricted Subsidiaries, pursuant to which dividends, loans, advances, payments or other distributions may be paid pursuant to clause (20) of the third paragraph under "*Certain Covenants—Limitation on Restricted Payments*."

"*Parent Expenses*" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective

rules and regulations promulgated thereunder and/or subsistence, establishment, administration and regulatory fees, costs and expenses and as otherwise customary in the ordinary course;

(2) director and employee remuneration, employee benefit, pension expenses and customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Issuer and its Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and its Subsidiaries;

(4) fees, costs, taxes and expenses payable by any Parent in connection with the Transactions;

(5) general corporate overheads, fees, costs, taxes and expenses, including (a) professional and advisory fees and expenses, legal and audit fees and other operational and administrative expenses of any Parent related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries, (b) in connection with any litigation or other dispute relating to the Transactions or the ownership, directly or indirectly of equity interests, (c) any taxes and other fees and expenses required to maintain such Parent's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent and (d) to reimburse reasonable out of pocket expenses of the Board of Directors of such Parent;

(6) (a) fees, expenses, taxes and costs relating directly or indirectly to the ownership of or to activities or management of the Issuer and its Subsidiaries or any Parent or any other Person established for purposes of or in connection with the Transactions or an Equity Offering or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding and (b) any payments to any person referred to in (a) above in an amount not to exceed the greater of €2.0 million and 2% of Consolidated EBITDA in any fiscal year;

(7) any non-cash dividends for the purposes of effecting tax efficiencies of the Issuer and its Restricted Subsidiaries and any Parent and other transactions undertaken in good faith (as certified by a responsible financial or accounting officer in an Officers' Certificate) for the purpose of improving the consolidated tax efficiency of the Issuer and its Subsidiaries and not for the purpose of circumventing any covenant set forth in the Indenture, any payment pursuant to the Tax Sharing Agreement which is permitted pursuant to the Indenture;

(8) any Taxes and 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 the Unrestricted Subsidiaries, provided however that the amount of such payments in any fiscal year do not exceed the amount that the Issuer and its consolidated Subsidiaries would be required to pay in respect of such taxes for such fiscal year were the Issuer and each of these Subsidiaries to pay such taxes on a consolidated basis on behalf of an affiliated group consisting only of the Issuer and such Unrestricted Subsidiaries; and

(9) fees, costs, taxes and expenses (including, without limitation, in respect of underwriting, commitment or arrangement) Incurred by any Parent in connection with any actual or contemplated public offering or other sale of Capital Stock or indebtedness:

   (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary;

   (b) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or

   (c) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"*Pari Passu Indebtedness*" means Indebtedness of the Issuer or any Guarantor which does not constitute Subordinated Indebtedness.

"*Paying Agent*" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

"*Permissible Jurisdiction*" means any member state of the European Union or the United Kingdom.

"*Permitted Asset Swap*" means the substantially concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash or Cash Equivalents or Temporary Cash Investments between the Issuer or any of its Restricted Subsidiaries and another Person; provided that any Net Cash Proceeds received by the Issuer or a Restricted Subsidiary in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under "—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock" (to the extent required pursuant to such covenant).

"*Permitted Collateral Liens*" means Liens on the Collateral:

(1) that are described in one or more of clauses (2), (3), (4), (5), (7), (8), (9), (10), (11), (12), (17), (19), (21) and (22) of the definition of "Permitted Liens" and, in each case, arising by law or that would not materially interfere with the ability of the Security Agent to enforce the Security Interest in the Collateral;

(2) to secure:

  (a) the Initial Notes and related Guarantees;

  (b) Indebtedness permitted to be Incurred under the first paragraph of the covenant described under "*— Certain Covenants—Limitation on Indebtedness*";

  (c) Indebtedness described under clause (1) of "*— Permitted Debt*," which Indebtedness may have super seniority priority status not materially less favorable to the Holders than that accorded to the Super Senior Facilities on or about the Issue Date pursuant to the Intercreditor Agreement;

  (d) Indebtedness described under clause (2) of "*— Permitted Debt*," to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens;

  (e) Indebtedness described under paragraphs (b) and (e) of clause (4) of "*— Permitted Debt*";

  (f) Indebtedness described under clause (5) of "*— Permitted Debt*," *provided* that, in the case of Indebtedness under clause (5), at the time of Incurrence (or, at the option of the Issuer, the acquisition or other transaction pursuant to which such Indebtedness is Incurred) and after giving *pro forma* effect to such acquisition or transaction, the Incurrence of such Indebtedness and the application of the proceeds thereof, the Consolidated Senior Secured Net Leverage Ratio either (A) does not exceed 3.00 to 1.0 or (B) is not greater than immediately prior to such Incurrence; *provided* that for purposes of the consummation of any one-time significant transaction the Consolidated Senior Secured Net Leverage Ratio either (I) does not exceed 3.50 to 1.0 or (II) is not greater than immediately prior to such Incurrence;

  (g) Indebtedness described under clause (6) of "*— Permitted Debt*," which Indebtedness may have super senior priority status not materially less favorable to the Holders than that accorded to the Super Senior Facilities under clause (1) of "*— Permitted Debt*" on or about the Issue Date pursuant to the Intercreditor Agreement; and

  (h) Bank Products and Indebtedness described under clauses (7) (covering only the assets acquired, improved, constructed, leased with or financed by such indebtedness), (11) and (13) of "*— Permitted Debt*";

  (i) Indebtedness on a junior basis to the Notes; and

  (j) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (a) to (i); *provided that* the Liens securing such Refinancing Indebtedness shall be of equivalent priority to the Lien securing the Indebtedness that is being refinanced,

provided, that each of the secured parties to any such Indebtedness secured on Collateral as set forth in clause (2) above (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement.

"*Permitted Holders*" means, collectively, (1) the Initial Investors and any of their Related Persons, (2) the Management Investors and any of their Related Persons, (3) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Issuer, acting in such capacity and (4) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing (or any Persons mentioned in the following sentence) are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, the Initial Investors and such Persons referred to in sub-clauses (1) through (3) (or any Person mentioned in the following sentence), collectively, have beneficial ownership of more than 50% of the total voting power of Voting Stock of the Issuer or any Parent held by such group.

Any person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted Investment*" means (in each case, by the Issuer or any of its Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) a Person that is engaged in a Similar Business (including the Capital Stock of any such Person) and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person if such Person is engaged in a Similar Business and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business and any advance payment made in relation to capital expenditures in the ordinary course of business, and including Investments made in connection with any Qualified Receivables Financing;

(5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement, including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash or deferred consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "— *Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*";

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date (or the Acquisition Closing Date with respect to the Target Group), and any extension, modification or renewal of any such Investment; *provided* that the amount of the Investment may be increased (a) as required by the terms of the Investment as in existence on the Issue Date (or the Acquisition Closing Date with respect to the Target Group) or (b) as otherwise permitted under the Indenture;

(10) (i) Bank Products and (ii) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "— *Certain Covenants—Limitation on Indebtedness*";

(11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed the greater of €25.0 million and 29% of Consolidated EBITDA; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "— *Certain Covenants—Limitation on Restricted Payments*," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause;

(12) guarantees, indemnities, pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or

made in connection with Liens permitted under the covenant described under "— *Certain Covenants—Limitation on Liens*";

(13) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "— *Certain Covenants—Limitation on Affiliate Transactions*" (except those described in clauses (1), (3), (8), (9) and (12) of that paragraph);

(15) Guarantees or indemnities not prohibited by the covenant described under "— *Certain Covenants—Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(16) guarantees, indemnities and other Investments given or entered into pursuant to or in connection with the Transactions and the Acquisition Agreement;

(17) Investments in loans under the Super Senior Facilities, the Notes and any Additional Notes and any other Indebtedness of the Issuer and its Restricted Subsidiaries; and

(18) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any of its Restricted Subsidiaries of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption "—*Certain Covenants—Merger and Consolidation*" to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation.

"*Permitted Liens*" means, with respect to any Person:

(1) Liens on assets or property of any Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Guarantor;

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws (including social charges and taxes) or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested Taxes or import or customs duties, over any rental deposits or the asset rented in relation to any real property leased or licensed or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(3) (a) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmens' and repairmen's or other similar Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings and (b) Liens for Taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(4) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of its business;

(5) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and its Restricted Subsidiaries;

(6) Liens on assets or property of the Issuer or any Restricted Subsidiary (other than Collateral) securing Hedging Obligations permitted under the Indenture relating to Indebtedness;

(7) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(8) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(9) Liens on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under clause (7) of the third paragraph of the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*" and any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(10) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(11) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding Operating Leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;

(12) Liens (a) existing on, or provided for or required to be granted under written agreements existing on, the Issue Date and any refinancing thereof or (b) with respect to the Target Group, existing on, or provided for or required to be granted under written agreements existing on, the Acquisition Closing Date and any refinancing thereof; in each case *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the agreement being refinanced;

(13) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary); *provided, however*, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(14) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Indebtedness or other obligations of such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Restricted Subsidiary;

(15) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(16) any interest or title of a lessor under any Capitalized Lease Obligation or Operating Lease;

(17) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have

been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(18) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(19) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(20) Liens on Receivables Assets Incurred in connection with a Qualified Receivables Financing;

(21) Liens (i) in connection with Bank Products, (ii) arising under general business conditions in the ordinary course of business, including without limitation the general business conditions of any bank or financial institution with whom the Issuer or any of its Restricted Subsidiaries maintains a banking relationship in the ordinary course of business, and including Liens arising by reason of any treasury and/or cash management, cash pooling, netting or set-off arrangement or other banking or trading activities;

(22) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods or services entered into in the ordinary course of business (and rights of set-off in connection therewith) and, if arising as a result of any default or omission, which does not subsist for a period of more than 90 days;

(23) Liens securing Indebtedness or other obligations of a Receivables Subsidiary;

(24) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness or other obligations of such Unrestricted Subsidiary;

(25) any security granted over the marketable securities portfolio described in clause (9) of the definition of "Cash Equivalents" in connection with the disposal thereof to a third party;

(26) (a) Liens created for the benefit of or to secure, directly or indirectly, the Notes, (b) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing or sharing of recoveries as among the Holders of the Notes and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement, (c) Liens securing Indebtedness under clauses (11) and (15) of the third paragraph of the covenant described under "*— Certain Covenants—Limitation on Indebtedness*" and (d) Liens securing Indebtedness under clause (1) of the third paragraph of the covenant described under "*— Certain Covenants—Limitation on Indebtedness*" to the extent such Lien is not able or required to be granted to secure the Notes pursuant to the Agreed Security Principles;

(27) Permitted Collateral Liens;

(28) Liens provided that the maximum outstanding principal amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (28) does not exceed an amount equal to the greater of €25.0 million and 29% of Consolidated EBITDA;

(29) Liens, over bank accounts of the Issuer or any of its Restricted Subsidiaries into which payments on receivables which have been previously sold, assigned or transferred by the Issuer or any of its Restricted Subsidiaries on a non-recourse basis and are also being serviced by the Issuer or any Restricted Subsidiary are made until such amounts are transferred to the factor or its assigns;

(30) (a) Liens arising under or in connection with escrow or similar arrangements related to any permitted disposal or acquisition by the Issuer or a Restricted Subsidiary; and (b) 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

(31) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures or associates or which are not Restricted Subsidiaries securing Indebtedness or other obligations of such joint ventures or associates.

"*Permitted Reorganization*" means any amalgamation, merger, demerger, reorganization, reconstruction, consolidation, sale, combination, liquidation, dissolution, winding-up or corporate reconstruction or disposal or transfer of assets or Capital Stock (a "*Reorganization*") involving the Issuer or any of its Restricted Subsidiaries that is made on a solvent basis, provided that (a) any payments or assets distributed in such Reorganization remain within the Issuer and its Restricted Subsidiaries, (b) if any Capital Stock or assets form part of the Collateral, substantially equivalent Liens must be granted over such Capital Stock or assets of the recipient such that they from part of the Collateral, and (c) the Issuer will provide to the Trustee and the Security Agent an Officer's Certificate confirming that no Default is continuing or would arise from such Reorganization.

"*Permitted Tax Distribution*" means:

(1) if and for so long as the Issuer is a member of a fiscal unity (whether resulting from a domination and profit or loss pooling agreement or otherwise) with any Parent, any dividends or other distributions, intercompany loans or other intercompany balances to fund any income Taxes for which such Parent is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis calculated as if the Issuer and its Subsidiaries had paid Tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Subsidiaries; and

(2) for any taxable year (or portion thereof) ending after the Issue Date for which the Issuer is treated as a disregarded entity, partnership, or other flow-through entity for federal, state, provincial, territorial, and/or local income Tax purposes, the payment of dividends or other distributions to the Issuer's direct owner(s) to fund the income Tax liability of such owner(s) (or, if a direct owner is a pass-through entity, of the indirect owner(s)) for such taxable year (or portion thereof) attributable to the operations and activities of the Issuer and its direct and indirect Subsidiaries.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"*Preferred Stock*" means, as applied to the Capital Stock of any Person, Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public Market*" means any time after:

(1) an Equity Offering has been consummated; and

(2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €50.0 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"*Public Offering*" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar persons).

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Qualified Receivables Financing*" means any Receivables Financing that meets the following conditions: (1) the Board of Directors or an Officer of the Issuer shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer), (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Board of Directors or an Officer of the Issuer) and may include Standard Securitization Undertakings and (4) such Receivables Financing is non-recourse to the Issuer or any Restricted Subsidiary (other than a Receivables Subsidiary) except to the extent of any Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Issuer or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Notes shall not be deemed a Qualified Receivables Financing.

"*Rating Agencies*" means Moody's, Fitch and S&P or, in the event Moody's, Fitch or S&P no longer assigns a rating to the Notes, any other "nationally recognized statistical rating organization" within the meaning of Section 3(a)(62) of the Exchange Act selected by the Issuer as a replacement agency.

"*Receivables Assets*" means any assets that are or will be the subject of a Qualified Receivables Financing, including any bank account in which the proceeds of such receivable are collected, and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary or (b) any other Person or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Issuer or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Issuer or any such Subsidiary in connection with such accounts receivable.

"*Receivables Repurchase Obligation*" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Receivables Subsidiary*" means a Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Issuer (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Issuer or any other Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by the Issuer or any other Restricted Subsidiary, (iii) is recourse to or obligates the Issuer or any other Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Issuer or any other Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Issuer nor any other Restricted Subsidiary has any contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less

favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and

(3) to which neither the Issuer nor any other Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "refinances," "refinanced" and "refinancing" as used for any purpose in the Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Issuer or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided*, *however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes (in right of payment or security), such Refinancing Indebtedness is subordinated to the Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced, *provided*, *however*, that Refinancing Indebtedness shall not include (i) Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary or (ii) Indebtedness of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness of the Issuer or a Guarantor.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"*Related Person*" with respect to any Permitted Holder, means:

(1) any controlling equity holder, majority (or more) owned Subsidiary or partner or member of such Person; or

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor,

excluding, in each case, any portfolio companies of the foregoing.

"*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), required to be paid (*provided* such Taxes are in fact paid) by any Parent by virtue of it:

(1) 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);

(2) issuing or holding Subordinated Shareholder Funding;

(3) being a holding company or parent, directly or indirectly, of the Issuer or any of the Issuer's Subsidiaries;

(4) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries; or

(5) having made any (i) payment with respect to any of the items for which the Issuer is permitted to make payments to any Parent pursuant to "— *Certain Covenants—Limitation on Restricted Payments*" or (ii) Permitted Tax Distribution.

"*Replacement Assets*" means any (i) non-current properties and assets that replace the properties and assets that were the subject of an Asset Disposition or (ii) non-current properties and assets that will be used in the Issuer's business or in that of the Restricted Subsidiaries or any and all businesses that in the good faith judgment of the Board of Directors or any Officer of the Issuer are reasonably related thereto, including capital stock of a Restricted Subsidiary holding such assets.

"*Representative*" means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"*S&P*" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Security Documents*" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Indenture, as applicable.

"*Senior Secured Indebtedness*" means, as of any date of determination, Indebtedness for borrowed money incurred by the Issuer or a Restricted Subsidiary that (a) is secured by a first-priority Lien on the Collateral or (b) is Incurred by a Restricted Subsidiary that is not a Guarantor, and that (in the case of each of (a) and (b)) is incurred under the first paragraph of the covenant described under "— *Certain Covenants—Limitation on Indebtedness*" or under clauses (1), (4) (other than clause 4(d)), (5), (11), (13), (15) or (16) of the third paragraph of the covenant described under "— *Certain Covenants—Limitation on Indebtedness*" or (c) is Incurred by the Issuer or any Restricted Subsidiary under clauses (4)(b), 4(c) (to the extent it relates to 4(b)) or (7) (in each case, with respect to Capitalized Lease Obligations) of the third paragraph of the covenant described under "— *Certain Covenants—Limitation on Indebtedness*."

"*Shareholder Loan I*" means the (long-term) shareholder loan in an amount of €46.0 million extended by the Initial Investors to the Issuer in connection with the Transactions.

"*Shareholder Loan II*" means the (short-term) shareholder loan in an amount of €40.0 million extended by the Initial Investors to the Issuer in connection with the Transactions.

"*Shareholder Loans*" means, collectively, the Shareholder Loan I and the Shareholder Loan II.

"*Significant Subsidiary*" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Issuer's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary

exceed 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Issuer's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Issuer's and its Restricted Subsidiaries' proportionate share of the Consolidated EBITDA of the Restricted Subsidiary exceeds 10% of the Consolidated EBITDA of the Issuer and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"*Similar Business*" means (1) any businesses, services or activities engaged in by the Issuer on the Issue Date or any member of the Target Group (or by any of its Subsidiaries or any Associates) on the Acquisition Closing Date and (2) 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.

"*Squeeze Out*" means any squeeze out procedure to acquire the Target Shares held by minority shareholders of the Target pursuant to either Section 327a et seqq. German Stock Corporation Act (*Aktiengesetz—AktG*), Section 39a of the German Takeover Code or Section 62 paragraph 5 German Reorganization Act (*Umwandlungsgesetz—UmwG*).

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations, including those described in "*— Change of Control*" and the covenant under "*— Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*," to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Indebtedness*" means, with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment or security to the Notes or any Guarantee of the Notes pursuant to a written agreement.

For purposes of the Indenture, no Indebtedness or other obligations will be deemed to be subordinated in right of payment to any other Indebtedness solely by virtue of being a party to the Intercreditor Agreement or an Additional Intercreditor Agreement or by virtue of being unsecured or by virtue of being secured on different collateral or by persons who are not Guarantors, or by virtue of the application of waterfall or other payment-ordering provisions, or due to the fact that the holders (or an agent, trustee or representative thereof) of any Indebtedness or obligations have entered into intercreditor arrangements giving one or more of such holders priority over the other holders in the collateral held by them.

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to the Issuer by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, *however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and

(5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the "Shareholder Liabilities" (as defined therein),

provided that for purposes of the Indenture, the Shareholder Loan II shall be deemed to constitute Subordinated Shareholder Funding.

"*Subsidiary*" means, with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which:

   (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

   (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Successor Parent*" means, with respect to any Person any other Person with more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, "beneficially owned" (as defined below) by one or more Persons that "beneficially owned" (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "beneficial owner," as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

"*Super Senior Facilities*" means the Super Senior Revolving Credit Facility and the Super Senior Guarantee Facility.

"*Super Senior Facilities Agreement*" means the super senior revolving credit and guarantee facilities agreement dated on or about the Issue Date among, *inter alios*, the Issuer, the lenders (as named therein), Deutsche Bank AG, London Branch, as agent, and the Security Agent, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

"*Super Senior Guarantee Facility*" means the guarantee facility established pursuant to the Super Senior Facilities Agreement.

"*Super Senior Revolving Credit Facility*" means the revolving credit facility established pursuant to the Super Senior Facilities Agreement.

"*Takeover Offer*" means the voluntary public takeover offer (*freilwilliges öffentliches Übernahmeangebot*) made by the Issuer to the shareholders of the Target for the purchase of all no-par-value bearer shares of the Target.

"*Target*" means RENK Aktiengesellschaft, a stock corporation (*Aktiengesellschaft*) incorporated under the law of the Federal Republic of Germany.

"*Target Group*" means the Target and its Subsidiaries from time to time.

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent or its Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture, and any arrangements or transactions made between the Issuer and/or any of its Subsidiaries and/or any Parent in order to satisfy the obligations arising under any such Tax Sharing Agreement (including, for the avoidance of doubt, distributions for purposes of compensation accounting losses in relation to a profit and loss pooling agreement and/or upstream loans to any Parent to enable a Parent to compensate the Issuer or such Subsidiary for losses Incurred which may need to be compensated by a Parent under any profit and loss pooling agreement).

"*Taxes*" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest and penalties with respect thereto) that are imposed by any government or other taxing authority.

"*Temporary Cash Investments*" means any of the following:

(1) any investment in:

  (a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) a Permissible Jurisdiction, (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or

  (b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or Fitch or "A-2" by Moody's (or, in each case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

  (a) any lender under the Super Senior Facilities;

  (b) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (1)(a) above; or

  (c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of €250.0 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by S&P or Fitch or "A-2" by Moody's (or, in each case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P or Fitch (or, in each case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, a Permissible Jurisdiction or Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB-" by S&P or Fitch or "Baa3" by Moody's (or, in each case, the equivalent of such rating by such organization or, if no

rating of S&P, Fitch or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250.0 million (or the foreign currency equivalent thereof) or whose long-term debt is rated at least "A" by S&P or Fitch or "A2" by Moody's (or, in each case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"*Transactions*" means the transactions as described in the Original Notes Offering Memorandum under the caption "*Summary—The Transactions*" and the use of proceeds as set forth under "*Use of Proceeds*" in the Original Notes Offering Memorandum.

"*U.S. GAAP*" means generally accepted accounting principles in the United States of America as in effect from time to time.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of the Issuer in such Subsidiary complies with "*— Certain Covenants—Limitation on Restricted Payments*."

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Issuer could Incur at least €1.00 of additional Indebtedness under the Fixed Charge Coverage Ratio contained in the first paragraph of the covenant described under "*— Certain Covenants—Limitation on Indebtedness*" or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

CERTAIN INSOLVENCY LAW CONSIDERATIONS AND LIMITATIONS ON THE VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND SECURITY INTERESTS

The following is a summary of certain insolvency law considerations regarding the European Union, Germany and the United Kingdom. The descriptions below are only a summary and do not purport to be complete or to discuss all insolvency law considerations that may affect the enforceability of the obligations of the Issuer or any Guarantor. See "Risk Factors—Risks Related to the Additional Notes and the Guarantees and the Collateral."

European Union

On June 5, 2015, Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (as last amended by Regulation (EU) 2018/946 of the European Parliament and of the Council of 4 July 2018, the "**EU Insolvency Regulation**") was published in the Official Gazette of the European Union.

The EU Insolvency Regulation applies to insolvency proceedings that are collective insolvency proceedings of the types referred to in Annex A to the EU Insolvency Regulation.

Main Insolvency Proceedings

Pursuant to Article 3(1) of the EU Insolvency Regulation, the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the member state of the European Union (the "**Member State**") (other than Denmark) within which the center of a debtor's main interests is situated. The "center of main interests" is defined as "the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties." Pursuant to Article 3(1) of the EU Insolvency Regulation, the center of main interests of a company or legal person is presumed to be located in the Member State 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 a three-month period prior to the request for the opening of insolvency proceedings. Specifically, it should be possible to rebut this presumption where the company's central administration is located in a Member State other than that of 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 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).

If the "center of main interests" of a company at the time an insolvency application is made, is located in a Member State (other than Denmark), the main insolvency proceedings with respect to 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.

Furthermore, pursuant to Article 6 of the EU Insolvency Regulation, the courts of the Member State within the territory of which insolvency proceedings have been opened in accordance with Article 3 shall have jurisdiction for any action that derives directly from the insolvency proceedings and is closely linked with them, such as avoidance actions.

Secondary Insolvency Proceedings

Insolvency proceedings opened in one Member State under the EU Insolvency Regulation are to be recognized in the other Member States (other than Denmark), although secondary proceedings may be opened in other Member States. If the "center of main interests" of a debtor is in one Member State (other than Denmark), under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open "secondary" or "territorial" insolvency proceedings only in the event that such debtor has an "establishment" in the territory of such other Member State. Secondary proceedings may be any insolvency proceeding listed in Annex A of the EU Insolvency Regulation and for the avoidance of doubt, are not limited to winding up proceedings. Territorial proceedings are, in effect, secondary proceedings which are commenced prior to the opening of main insolvency proceedings and which will usually convert to secondary proceedings on the opening of the main proceedings. "Establishment" is defined as 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. The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other Member State.

Pursuant to Article 3(4) of the EU Insolvency Regulation, where main proceedings in the Member State in which the company has its center of main interests have not yet been opened, territorial insolvency proceedings can only be opened in another Member State where the company has an establishment and either: (a) insolvency proceedings cannot be opened in the Member State in which the company's center of main interests is situated under that Member State's law; or (b) the territorial insolvency proceedings are opened at the request of a creditor whose claim arises from or in connection with the operation of such establishment or a public authority, which has the right to request such opening under the respective Member State's law, requests the opening of such proceedings. Irrespective of whether the insolvency proceedings are main or secondary insolvency proceedings, such proceedings will, subject to certain exemptions, be governed by the *lex fori concursus*; that is, the local insolvency law of the court that has assumed jurisdiction for the respective main, territorial or secondary insolvency proceedings, as the case may be, of the company.

Pursuant to Article 21 of the EU Insolvency Regulation, the insolvency officeholder appointed by the court of the main proceedings may exercise the powers conferred on him by the law of that Member State in another Member State (such as to remove assets of the company from that other Member State), subject to certain limitations, so long as no insolvency proceedings have been opened in that other Member State or any preservation measure has been taken to the contrary further to a request to open insolvency proceedings in that other Member State where the company has assets.

However, under Article 36 of the EU Insolvency Regulation, the insolvency practitioner in the main insolvency proceedings may prevent the opening of secondary insolvency proceedings in another Member State by giving a unilateral undertaking with respect to the assets located in the Member State in which secondary insolvency proceedings could be opened. For this purpose, the insolvency practitioner must undertake to comply with the distribution and priority rights under the relevant national law from which the local creditors would benefit if the insolvency proceedings were opened in the Member State where the assets are located. Such undertaking must be made in writing and is subject to approval by a qualified majority of known local creditors, determined in accordance with applicable local laws. If approved, the undertaking is binding on the insolvency estate and if a court is requested to open secondary insolvency proceedings, it should, at the request of the insolvency practitioner in the main insolvency proceedings, refuse to open such proceeding if it is satisfied that the undertaking adequately protects the general interests of local creditors.

Additionally, under Article 38 of the EU Insolvency Regulation, where a temporary stay of individual enforcement proceedings has been granted in order to allow for negotiations between a company and its creditors, the court, at the request of the insolvency practitioner in the main insolvency proceedings, may stay the opening of secondary insolvency proceedings for a period not exceeding three months, provided that suitable measures are in place to protect the interests of local creditors.

Under Article 46 of the EU Insolvency Regulation, the court which opened the secondary insolvency proceedings will also stay the process of realization of assets in whole or in part on receipt of a request from the insolvency practitioner in the main insolvency proceedings, for a renewable period of up to three months, unless such a request is manifestly of no interest to the creditors in the main insolvency proceedings. Such stay may be continued or renewed for similar periods. In the case where the court stays the process of realization of the assets, the court may require the insolvency practitioner in the main insolvency proceedings to take any suitable measure to guarantee the interests of the creditors in the secondary insolvency proceedings and of individual classes of creditors.

Pursuant to Article 4 of the EU Insolvency Regulation, a court requested to open insolvency proceedings will be required to examine whether it has jurisdiction pursuant to Article 3; such decision may be challenged by the debtor or any creditor on grounds of international jurisdiction.

In the event that the Issuer, the Guarantors or any provider of collateral experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings will be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations of the Issuer, the Guarantors and the collateral provided by any other company. The insolvency, administration and other laws of the jurisdictions in which the respective companies are organized or operate may be materially different from, or conflict with, each other and there is no assurance as to how the insolvency laws of the potentially involved jurisdictions will be applied in relation to one another.

Insolvency Proceedings Involving Members of a Group of Companies

The EU Insolvency Regulation provides for a cooperation and communication mechanism in the event that insolvency proceedings concerning two or more members of a group of companies are opened. Insolvency practitioners appointed in proceedings concerning a member of the group shall cooperate with any insolvency practitioner appointed in proceedings concerning another member of the group to the extent that such cooperation is appropriate. Similarly, the court which has opened proceedings shall also cooperate with any other court before which a request is made to open proceedings concerning another member of the group to the extent that cooperation is appropriate to facilitate the effective administration of the proceedings, is not incompatible with the rules applicable to them and does not entail any conflict of interest. In this respect, the courts may, where appropriate, appoint a third party, provided that this is not incompatible with the rules applicable to them.

Germany

The Issuer is organized under the laws of Germany, have their registered offices in Germany and, except for shareholding interests in certain subsidiaries, substantially all of their assets are located in Germany. In the event of an insolvency of the Issuer and these certain Guarantors under the laws of Germany at the time the application for the opening of insolvency proceedings (*Insolvenzeröffnungsantrag*) is filed, German insolvency law would most likely be initiated in Germany. Such proceedings would then be governed by German law. Under certain circumstances, insolvency proceedings may also be opened in Germany in accordance with German law over the assets of companies that are not established under German law (for example, if the center of main interests of such company is within Germany) or, vice versa, insolvency over the Issuer or such German Guarantors may be opened in other jurisdictions.

The insolvency laws of Germany and, in particular, the provisions of the German Insolvency Code (*Insolvenzordnung*) may not be as favorable to your interest as creditors as the insolvency laws of other jurisdictions with which you may be familiar, including, *inter alia*, with respect to priority of creditors' claims, the ability to obtain post-petition interest as well as in certain circumstances priority recovery for secured creditors and the duration of the insolvency proceedings, and hence may limit the ability of creditors to recover payments due on the Notes and the Guarantees 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. Recently, the German legislator adopted an act to facilitate the handling of group insolvencies (*Gesetz zur Erleichterung der Bewältigung von Konzerninsolvenzen*) which entered into force on April 21, 2018. However, this act mainly provides for coordination of and cooperation between insolvency proceedings of group companies. The 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 proceeding; (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*).

Under German insolvency law, insolvency proceedings are not initiated by the competent insolvency court *ex officio*, but require that the debtor or a creditor files a petition for the opening of insolvency proceedings. Insolvency proceedings can be initiated either by the debtor or by a creditor in the event of over-indebtedness

(*Überschuldung*) of the debtor or in the event that the debtor is unable to pay its debts as and when they fall due (*Zahlungsunfähigkeit*). According to the relevant provision of the German Insolvency Code (*Insolvenzordnung*), a debtor is over-indebted when its liabilities exceed the value of its assets (based on their liquidation values), unless a continuation of the debtor's business is predominantly likely (*überwiegend wahrscheinlich*) at least for the current and the subsequent fiscal year (*positive Fortführungsprognose*). 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. If a stock corporation (*Aktiengesellschaft—AG*), a European law stock corporation based in Germany (*Societas Europaea—SE*) or a company with limited liability (*Gesellschaft mit beschränkter Haftung—GmbH*) or any company not having an individual as personally liable shareholder or partner—such as the Issuer and the German Guarantors—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 (3) weeks after the mandatory insolvency reason, *i.e.*, illiquidity and/or over-indebtedness, occurred. Non-compliance with these obligations exposes the 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 or the Guarantees, may be voidable. A debtor is not considered over indebted even when its liabilities exceed the value of its assets if, given the circumstances, it is more likely than not that the debtor's business can survive as a going concern. In addition, only the debtor, but not the creditors, can file for the opening of insolvency proceedings in the event of imminent illiquidity (*drohende Zahlungsunfähigkeit*), *i.e.*, if there is the imminent risk of the company being unable to pay its debts as and when they fall due at some point in time within a certain prognosis period, whereas imminent illiquidity does not give rise to an obligation for the management of the debtor to file for insolvency proceedings.

If a company faces imminent illiquidity (*drohende Zahlungsunfähigkeit*) and/or is over indebted (*Überschuldung*) it may also file for preliminary debtor in possession moratorium proceedings (*Schutzschirmverfahren*) unless—from a third-party perspective—there is no reasonable chance for a successful restructuring. Upon such filing by the debtor, the court will appoint a preliminary trustee (*vorläufiger Sachwalter*) and prohibit enforcement measures (other than with respect to immoveable assets). It may also implement other preliminary measures to protect the debtor from creditor enforcement actions for up to three months. During that period, the debtor shall prepare an insolvency plan which ideally shall be implemented in formal debtor in possession proceedings (*Eigenverwaltung*) after formal insolvency proceedings have been opened.

The insolvency proceedings are controlled by the competent insolvency court, which monitors the due performance of the proceedings. Upon receipt of the insolvency petition, the insolvency court may take preliminary measures to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). The insolvency court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings insofar as these protective measures are reasonable to protect the debtor's assets and/or to ensure the continuation of the debtor's business.

The Act to Temporarily Suspend the Obligation to File for Insolvency and to Limit Directors' Liability in the Case of Insolvency Caused by the COVID-19 Pandemic, which was adopted on March 27, 2020 (as amended from time to time, the "**COVInsAG**"), provides, *inter alia*, for a suspension of the obligation to file for insolvency until, currently, April 30, 2021. The suspension—as in force from January 1, 2021—applies to debtors who, in the period from November 1, 2020 to February 28, 2021, have applied for financial assistance under state assistance programs to mitigate the consequences of the COVID-19 pandemic or have been prevented, as eligible debtors, from filing such application for legal or factual reasons, unless the insolvency is not caused by consequences of the COVID-19 pandemic and there is obviously no prospect of obtaining the state financial assistance or the assistance that can be obtained is insufficient to eliminate the over-indebtedness or illiquidity. The COVInsAG also provides for a certain relief from claw-back provisions, if the debtor fulfilled the requirements for the suspension of filing duties, for the satisfaction of claims or the provision of collateral for these claims, which the creditor was entitled to receive and unless the creditor knew that the restructuring and refinancing efforts of the debtor were not suitable to eliminate an existing illiquidity of the debtor in the meaning of section 17 of the German Insolvency Code (*Insolvenzordnung*). Furthermore, for an interim period until December 31, 2021, the COVInsAG reduces the forecast period (*Fortführungsprognose*) relevant for determining whether a continuation of the debtor's business is predominantly likely (*überwiegend wahrscheinlich*) for the purposes of the assessment of the insolvency ground of over-indebtedness from twelve months to four months provided that the debtor's over-indebtedness is caused by the COVID-19 Pandemic, which is assumed if (i) the debtor was not cash-flow insolvent as of

December 31, 2019, (ii) the debtor's result from its ordinary business activity was positive in the last financial year prior to January 1, 2020, and (iii) the revenue from the debtors' ordinary business activity in calendar year 2020 was more than 30% lower than the revenue in calendar year 2019.

Unless the debtor has applied for debtor in possession proceedings (*Eigenverwaltung*) (in which event the court will generally only appoint a preliminary trustee (*vorläufiger Sachwalter*) who will supervise the management of the affairs by the debtor) the insolvency court will in most cases appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*). The rights and duties of the preliminary administrator depend on the decision of the court. The duties of the preliminary administrator may include safeguarding and preserving the debtor's property and assessing whether the debtor's net assets will be sufficient to cover at least the costs of the insolvency proceedings. Depending on the decision of the court, the right to manage the business and dispose of the assets of the debtor may pass to the preliminary insolvency administrator. The insolvency court can also order a stay of all enforcement measures by unsecured creditors against the debtor and other measures the court sees as appropriate.

During preliminary insolvency proceedings, the insolvency court has to appoint a "preliminary creditors' committee" (*vorläufiger Gläubigerausschuss*) if the debtor satisfies at least two of the following three requirements:

(a) balance sheet total in excess of €6,000,000 (after deducting an equity shortfall if the debtor is over indebted);

(b) revenues of at least €12,000,000 in the twelve months prior to the last day of the financial year preceding the filing; and/or

(c) fifty or more employees on an annualized average basis.

The preliminary creditors' committee will be able to participate in certain important decisions made in the preliminary insolvency proceedings. It will have, for example, the power to influence the following: the selection of a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*) or an insolvency administrator (*Insolvenzverwalter*); court orders for debtor in possession proceedings (*Anordnung der Eigenverwaltung*); and appointments of (preliminary) trustees ((*vorläufiger) Sachwalter*). The court opens formal insolvency proceedings (*Eröffnung des Insolvenzverfahrens*) if certain formal requirements are met, including if (i) the debtor is in a situation of imminent illiquidity (if the petition has been filed by the debtor), illiquidity and/or over indebted and (ii) if there are sufficient assets to cover at least the cost of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient to cover such costs, 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 usually be refused for insufficiency of assets (*Abweisung mangels Masse*).

Unless the court has ordered debtor in possession proceedings (*Eigenverwaltung*) (in which case the court will only appoint a trustee (Sachwalter) who will supervise the management of the affairs by the debtor), upon opening of the insolvency proceedings, the court will appoint an insolvency administrator (*Insolvenzverwalter*) who has full administrative and disposal authority over the debtor's assets, whereas the debtor is no longer entitled to dispose of its assets. The insolvency creditors (*Insolvenzgläubiger*) will only be entitled to change the individual appointed as insolvency administrator at the occasion of the first creditors' assembly (*erste Gläubigerversammlung*) with such change requiring that (i) a simple majority of votes cast (by heads and amount of insolvency claims) has voted in favor of the proposed individual to become insolvency administrator and (ii) the proposed individual being eligible as officeholder, i.e., sufficiently qualified, business experienced and impartial. The insolvency administrator (or in the case of debtor in possession proceedings (*Eigenverwaltung*), the debtor) may raise new financial indebtedness and incur other liabilities to continue the debtor's operations, and satisfaction of these liabilities as preferential debts of the estate (*Masseverbindlichkeiten*) will be preferred to any insolvency liabilities created by the debtor including the Guarantees.

The insolvency administrator or trustee may also challenge transactions that are deemed detrimental to insolvency creditors and which were effected prior to the opening of the insolvency proceedings.

From the perspective of the holders of the Notes, among others, some important consequences of such opening of formal insolvency proceedings against the Issuer, any Guarantor or any of their relevant subsidiaries that are subject to the German insolvency regime would be the following:

- if the court does not order debtor-in-possession status (*Eigenverwaltung*), the right to administer and dispose of the assets of the Issuer, such Guarantor or any of their relevant subsidiaries would generally pass to the insolvency administrator (*Insolvenzverwalter*) as sole representative of the insolvency estate;
- if the court does not order debtor-in-possession status (*Eigenverwaltung*) with respect to the Issuer, such Guarantor or any of their relevant subsidiaries, disposals effected by the management of the Issuer, 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 the Issuer's, 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 the Issuer, 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 (*Aussonderung*) (*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.

Under German insolvency law, termination rights, automatic termination events or "escape clauses" entitling one party to terminate an agreement, or resulting in an automatic termination of an agreement, upon the opening of insolvency proceedings with respect to the other party, the filing for insolvency or the occurrence of reasons justifying the opening of insolvency proceedings (*insolvenzbezogene Kündigungsrechte oder Lösungsklauseln*) may be invalid if they frustrate the election right of the insolvency administrator whether or not to perform the contract (*Wahlrecht des Insolvenzverwalters*) unless they reflect termination rights applicable under statutory law. This will likely also relate to agreements that are not governed by German law.

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 in the insolvency proceedings separately, but can instead only enforce them in compliance with the restrictions of the German Insolvency Code (*Insolvenzordnung*). Any judicial enforcement action (*Zwangsvollstreckung*) brought against the debtor by any of its creditors is subject to an automatic stay once insolvency proceedings have been opened. 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 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 value added tax (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 insolvency creditors and residual claims of secured insolvency creditors reaming after realization of the available collateral (if any), 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 right of a creditor to preferred satisfaction (*Absonderungsrecht*) 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 and their claims to be subordinated by law (including, but not limited to, claims made by shareholders (unless privileged) of the relevant debtor for the repayment of shareholder loans or similar claims), while claims of a person who becomes a creditor of the insolvency estate only after the opening of insolvency proceedings generally rank senior to the claims of regular, unsecured creditors. 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. See also below under "*Satisfaction of Subordinated Claims*."

During the suspension of filing obligations as set out in the preceding paragraph, the COVInsAG also provides for a relief from lender liability, as any new loans or the provision of collateral for such loans is not regarded against *bonos mores*. This relief shall include deferrals and "amend & extend" transactions.

While in ordinary insolvency proceedings, the value of the Issuer's, any Guarantor's or any of their relevant subsidiaries' assets will 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 the debtor 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 or issuance 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 prepare an insolvency plan for the debtor business (*Schutzschirm*). In addition, for an interim period until 31 December 2021, debtors have access to the protective shield proceedings (*Schutzschirmverfahren*) even in the state of illiquidity (*Zahlungsunfähigkeit*) provided that the debtor's illiquidity was caused by the COVID-19 pandemic. This is assumed if (i) the debtor was not cash-flow insolvent as of December 31, 2019, (ii) the debtor's result from its ordinary business activity was positive in the last financial year prior to January 1, 2020, and (iii) the revenue from the debtors' ordinary business activity in calendar year 2020 was more than 30% lower than the revenue in calendar year 2019. During the respective period granted by the court to prepare the insolvency plan, the creditors' rights to enforce security may—upon application of the filing debtor—be suspended. Under these circumstances, the insolvency court has to appoint a custodian (*Sachwalter*) to supervise the process. The debtor is entitled to suggest an individual to be appointed as custodian with such suggestion being binding on the insolvency court unless the suggested person is obviously not eligible to become a custodian (i.e., is obviously not competent or impartial).

Powers of attorney granted by the relevant debtor and certain other legal relationships cease to be effective upon the opening of insolvency proceedings. Certain executory contracts become unenforceable at such time unless and until the insolvency administrators opt for performance.

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 opening of formal insolvency proceedings during applicable voidable periods. Generally, if transactions, performances or other acts are successfully voided by the insolvency administrator or custodian, as the case may be, 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 or custodian'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 the Issuer, 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 Transaction Security 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 or custodian under the rules of voidness (*Insolvenzanfechtung*) as set out in the German Insolvency Code (*Insolvenzordnung*). To the extent 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, the Guarantees or the Transaction Security and may participate in the insolvency proceedings as unsecured creditor only. If payments have already been made under the Notes, the Guarantees or Transaction Security, 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 or the Guarantees, as applicable, without preference in insolvency proceedings.

Against this background, 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 particular 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 (a) during the last three months prior to the filing of a petition for the commencement of insolvency proceedings, if the debtor was illiquid (*zahlungsunfähig*) at the time such act was taken and the creditor knew of such illiquidity (or of circumstances that imperatively suggest that the debtor was illiquid) at such time, or (b) 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 imperatively suggesting such illiquidity or filing), whereby in each case an affiliated party shall be presumed to have been aware of the debtor's insolvency or of the filing to open insolvency proceedings;
- 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 in which or at a time at which such creditor was not entitled to such security or satisfaction, if (a) such act was taken during the last month prior to the filing of the petition for the commencement of insolvency proceedings or after such filing, (b) 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 (c) 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 imperatively suggest such detrimental effect), whereby in each case an affiliated party shall be presumed to have been aware of the detrimental nature of such transaction for the other creditors;
- any legal transaction effected by the debtor that directly disadvantages 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 the debtor is obtained or becomes enforceable, provided it was entered into (a) during the three months prior to the filing of the petition of the commencement of insolvency proceedings and the debtor was illiquid at the time of such transaction and the other party to such transaction knew of the illiquidity (or of circumstances that imperatively suggest that the debtor was illiquid) at such time or (b) after the filing of the petition for the commencement of insolvency proceedings and the other party to such transaction knew of either the debtor's illiquidity or such filing (or of circumstances imperatively suggesting such illiquidity or filing) at the time of the transaction, whereby in each case an affiliated party shall be presumed to have been aware of the debtor's illiquidity or of the filing to open insolvency proceedings;
- 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; in case the relevant act granted a creditor, or enabled a creditor to obtain, security or satisfaction for a debt, the above ten-year period is reduced to four years; "knowledge by the beneficiary of the act" in terms of such provision is presumed if the beneficiary knew that the debtor was imminently illiquid (*drohende Zahlungsunfähigkeit*) and that the relevant act disadvantaged the other creditors; in case the relevant act granted a creditor, or enabled a creditor to obtain, security or satisfaction in a form or at a time to which or at which such creditor was entitled, the "knowledge by the beneficiary of the act" is presumed if the beneficiary knew that the debtor was actually illiquid (*eingetretene Zahlungsunfähigkeit*) and that the relevant act disadvantaged the other creditors; the fact that the creditor agreed on a payment plan with the debtor or agreed to deferred payments establishes a presumption that he had no knowledge of the debtor being illiquid at this time;
- any non-gratuitous contract (*entgeltlicher Vertrag*) concluded between the debtor and a related party (*nahestehende Person*) which directly disadvantages the creditors can be challenged 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 at the time the contract was concluded;

- any act that provides security (*Sicherung*) or satisfaction (*Befriedigung*) for a shareholder loan (*Gesellschafterdarlehen*) made to the debtor or an economically similar claim if (a) in the case of the provision of security (*Sicherung*), the act took place during the ten years prior to the filing of the petition for the commencement of insolvency proceedings or after the filing of such petition, or (b) in the case of satisfaction (*Befriedigung*), the act took place during the last year prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition.
- 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 or surety (*Garant oder 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 illiquidity or imminent illiquidity, as the case may be, 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 COVInsAG, however, provides for privileged treatment of new financing and shareholder loans under German insolvency law claw-back provisions during a certain time during the COVID-19 pandemic. On that basis, the repayment (including reasonable interest payments) of third-party financing and shareholder loans by September 30, 2023 shall not be considered disadvantageous to creditors if the relevant financing is granted between March 1, 2020 and April 30, 2021 and the debtor fulfilled the requirements for the suspension of the filing duties at the time. This privilege also covers the provision of collateral in favor of third-party financing providers, but does not apply in case of the provision of collateral to secure the repayment of shareholder loans or receivables resulting from legal transactions which are economically equivalent to a loan.

The granting of security concurrently with the incurrence of debt may be qualified as a "cash transaction" and may as such be privileged *i.e.*, under certain circumstances, not being subject to voidness rights under the German Insolvency Code (*Insolvenzordnung*) (*Bargeschäftsprivileg*).

Apart from the examples of an insolvency administrator or custodian 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.

Preventive Restructuring Framework

On June 20, 2019, the European Parliament and the Council have adopted a new directive, which aims to ensure that minimum restructuring measures are available in the Member States to enable debtors in financial distress to solve their problems at an early stage and to avoid formal insolvency proceedings (Directive of the European Parliament and the Council EU 2019/1023 on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending directive (EU) 2017/1132 (the "*Preventive Restructuring Directive*")).

In Germany, the Preventive Restructuring Directive was implemented by the law on the Further Development of the German Restructuring and Insolvency Laws, which became effective on January 1, 2021. An essential part of the law is the introduction of a new Act on a Stabilisation and Restructuring Framework for Enterprises ("*Company Stabilisation and Restructuring Act*"), which establishes a comprehensive legal framework for out-of-court restructurings in Germany. Proceedings under the Company Stabilisation and Restructuring Act ("*Restructuring Proceedings*") are initiated through a notification by the respective debtor to affected creditors (with regard to chapter 1 of the StaRUG) and/or the competent restructuring court (*Anzeige des Restrukturierungsvorhabens*). Restructuring Proceedings are applicable in cases in which a debtor faces imminent illiquidity (*drohende Zahlungsunfähigkeit*), i.e. that there is the imminent risk for the debtor of being unable to pay any of its debt as and when it falls due during the course of (regularly) the next 24 months.

A debtor can access the new restructuring tools of the Company Stabilisation and Restructuring Act upon the occurrence of imminent illiquidity (*drohende Zahlungsunfähigkeit*) which is triggered when it is likely that the debtor will not be able to meet its future payment obligations that fall due over the next 24 months. The debtor's management is not obliged to make use of the tools of the Company Stabilisation and Restructuring Act. Therefore, the debtor may alternatively file for regular insolvency proceedings if the respective requirements are met (see above under "—*Insolvency.*").

Unlike insolvency proceedings, the tools under the Company Stabilisation and Restructuring Act do not necessarily cover all of a debtor's liabilities, as the debtor has a certain amount of flexibility under the Company Stabilisation and Restructuring Act to adapt the scope of the available tools to cover either all of the debtor's liabilities, only certain types (e.g., financial liabilities, including under the Notes), or only selected liabilities. In addition and depending on the extent to which a debtor requires to make use of certain legal tools available under the Company Stabilisation and Restructuring Act, the involvement of the competent restructuring court can be kept to a minimum and the tools can—under certain circumstances—even be used without the need for any public notices despite being binding on affected creditors. The tools available under the Company Stabilisation and Restructuring Act may in the case of a group of companies only be used for each entity separately (an important exception is the ability to extend the effect of certain tools to cover security granted by entities that are connected entities (*verbundene Unternehmen*) of the debtor). However, the Company Stabilisation and Restructuring Act provides for a respective application of the provisions of the German Insolvency Code which implemented the law to facilitate the mastering of group insolvencies (see above under "—*Insolvency.*").

The core component of the Company Stabilisation and Restructuring Act is an out-of-court restructuring of a debtor's liabilities via a restructuring plan, including, e.g., by way of changes to the principal amounts, interest rates and/or maturities of liabilities. Such restructuring plan may also negatively impact (including, e.g., a release of) collateral granted for the benefit of the Notes by the debtor as well as its subsidiaries, parent and sister companies. A restructuring plan can generally be adopted and become binding for creditors upon being approved by the required majority or majorities of a debtors' creditors. The restructuring plan will be voted on in classes. The adoption of the restructuring plan requires, in principle, that in each class a majority of three-quarters of the voting rights approve the plan (whereas voting rights are determined by the amount of the claim, the value of the security and, in the case of share or membership rights, the share of the subscribed capital of the debtor). However, if more than one class is formed, the restructuring plan can even be adopted and become binding on creditors if creditor class(es) have not approved the plan, provided certain requirements are met and the restructuring court confirms the restructuring plan (*cross-class cramdown*).

The Company Stabilisation and Restructuring Act provides for additional tools that may be used by the debtor so as to facilitate the preparation, negotiations and implementation of a restructuring plan. These tools include a stabilization order by the restructuring court (which is granted upon the application by the debtor and if certain requirements are met). Such stabilization order can restrict enforcement measures by certain or all creditors. The stabilization order can initially be granted for a maximum period of up to three months, with subsequent orders to extend the stabilization order up to a maximum of eight months subject to certain conditions being satisfied.

For the holders of the Notes, among the relevant consequences of the use of any tools available under the Company Stabilisation and Restructuring Act by a Guarantor would be the following:

- The negotiation and drafting of a restructuring plan by the debtor is potentially subject to no or only limited review and/or supervision by a court;
- restrictions on individual enforcement or foreclosure actions for all or certain creditors for a period of up to eight months due to a stabilization order;
- any claims and rights of the holder of the Notes can be subject to and potentially be compromised by the restructuring plan (e.g. in relation to claims in the form of a reduction in principal and/or interest or a deferral and in relation to security rights in the form of a release and an adjustment of the ranking of the security right);
- any collateral granted by the debtor as well as intra-group collateral may be subject to Restructuring Proceedings potentially leading to a negative impact on the respective collateral; and

- a restructuring plan can be adopted and the measures therein can become binding on any holder of the Notes without the consent of each holder of the Notes and, if the prerequisites for a cross-class cram-down are fulfilled, even without the consent of any of the holders of the Notes.

Restructuring plans which are public and confirmed by a German restructuring court will be recognized in any EU member state pursuant to the EU Insolvency Proceedings Regulation (Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings) upon such proceeding being included as a recognized proceeding in Exhibit A of that Regulation. In any other case, the recognition of the restructuring plan is subject to certain rules and regulations under applicable international private law.

Satisfaction of Subordinated Claims

The insolvency estate shall serve to satisfy the liquidated claims held by the personal creditors against the debtor on the date when the insolvency proceedings were opened. The following claims shall be satisfied ranking below the other claims of insolvency creditors in the order given below, and according to the proportion of their amounts if ranking with equal status: (i) interest and penalty payments accrued on the claims of the insolvency creditors from the day of the opening of the insolvency proceedings; (ii) costs incurred by individual insolvency creditors due to their participation in the proceedings; (iii) fines, regulatory fines, coercive fines and administrative fines, as well as such incidental legal consequences of a criminal or administrative offence binding the debtor to pay money; (iv) claims to the debtor's gratuitous performance of a consideration; and (v) claims for repayment of a shareholder loan (*Gesellschafterdarlehen*) or claims resulting from legal transactions corresponding in economic terms to such a loan. The COVInsAG, however, temporarily provides for privileged treatment of new financings and shareholder loans under German insolvency law claw-back provisions. Pursuant to the COVInsAG, the repayment (including reasonable interest payments) of third-party financing and of shareholder loans and receivables from economically similar acts in insolvency proceedings applied for up until September 30, 2023 for shall not be considered disadvantageous to creditors if the relevant financing was granted between March 1, 2020 and April 30, 2021 and where the debtor fulfilled the requirements for the suspension of the filing duties at the time. This privilege also covers the provision of collateral in favor of third-party financing providers, but does not apply in case of the provision of collateral to secure the repayment of shareholder loans or receivables resulting from legal transactions which are economically similar to such a loan.

Limitations on Validity and Enforceability of the Guarantee and the Security Interests

The granting of guarantees by German Guarantors will be subject to certain provisions 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**").

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 less 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 GmbHG. Moreover, under section 64 sentence 3 GmbHG a managing director (*Geschäftsführer*) of a GmbH can be held personally liable in certain circumstances for payments to shareholders that would render the GmbH illiquid. The granting of guarantees and security interests for the benefit of direct or indirect parent or sister companies of the GmbH could be considered as such disbursements and payments to shareholders. In relation to a GmbH& Co. KG the capital maintenance and liquidity maintenance rules and principles described above for GmbHs apply, mutatis mutandis, also to the general partners of the GmbH & Co. KGs.

German capital maintenance, liquidity maintenance and financial assistance rules (including with respect to Sections 30, 31 and 64 sentence 3 GmbH and Sections 57, 71a and 92 para. 2 sentence 3 AktG), are subject to evolving case law (see, for example, the more recent decision of the German Federal Supreme Court (*Bundesgerichtshof*) dated March 21,2017, file no. II ZR 93/16, regarding the preservation of the share capital). The Issuer 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, as applicable, a German stock corporation (*Aktiengesellschaft*), a GmbH or a GmbH & Co. KG, which can negatively affect the ability of the German

Guarantor to make payment on the Notes or of the German Guarantors to make payments on the Notes or the related guarantees or the enforceability of the Guarantees, the Indenture and the Security Documents relating to the Collateral provided by the German Guarantors.

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 its company 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 granted or security interests granted by the Parent, the Issuer and a German Guarantor. In such case, the amount of proceeds to be realized in an enforcement process may be reduced, even to zero. Moreover, according to a decision of the German Federal Supreme Court (*Bundesgerichtshof*), a security or guarantee 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 security interests to be granted by the Issuer and the German Guarantors (including in the legal form of a German stock corporation (*Aktiengesellschaft*).

Furthermore, the beneficiary (*e.g.*, a holder of the Notes) of a transaction qualifying as a repayment of the stated share capital of the grantor of the guarantee or the security interests, as applicable, (*e.g.*, the enforcement of such guarantee or security interest) 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 or the security interests was close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto.

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. 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 Issuer and the Guarantors under the Notes and the Guarantees (the "**Principal Obligations**"), and any payment with respect to the Principal Obligations will discharge the corresponding parallel debt and any payment with respect to the parallel debt will discharge the corresponding Principal Obligations. Although the Security Agent will have, pursuant to the parallel debt, a claim against the Issuer and the Guarantors for the full principal amount of the Notes, the legal concept of creating parallel debt obligations has not yet been tested before a German court. Therefore, it cannot be ruled out that such concept will not be recognized by German courts or that it will eliminate or mitigate the risk of invalidity and unenforceability of pledges. Therefore, the ability of the Security Agent to enforce the collateral may be restricted.

In addition, holders of the Notes bear some risk associated with a possible insolvency or bankruptcy of the Security Agent. This means that in the case of an insolvency of the Security Agent, the insolvency administrator over the insolvency estate of the Security Agent may successfully claim that there is no separation right (*Aussonderungsrecht*) of the holders with respect to the secured claims. As a consequence the secured claims (including the parallel debt) and the accessory security rights would remain with the (then insolvent) Security Agent.

German law does not generally permit the appropriation of pledged assets by the pledgee upon enforcement of the pledge. The enforcement of a share pledge under German law usually requires the sale of the asset constituting the collateral through a formal process involving a public auction to which certain waiting periods and notice requirements apply. Under German law, it is unclear whether the security interest in the collateral gives the Security Agent the right to prevent other creditors of the entities having granted such security from foreclosing on and realizing the asset constituting the collateral. Some courts have held that certain types of security interests only give their holders priority (according to their ranking) in the distribution of any proceeds from the realization of the asset constituting the collateral and no right to intervene (*i.e.*, the right to request the court to impose a stay on proceedings initiated by other creditors).

England and Wales

Each of Horstman Defence Systems Limited and Horstman Holdings Limited is a company incorporated under the laws of England and Wales (the "**English Obligors**").

Applicable legal framework and jurisdiction of the English courts

While the UK was a member state of the EU, insolvency processes opened in the UK were subject to both EU and applicable UK domestic legislation. Following the UK's departure from the EU on 31 January 2020 and the expiry of the subsequent transition period (the "**Transition Period**") on 31 December 2020, in accordance with the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) EU law as directly applicable in the UK at the end of the Transition Period (subject to certain exceptions) was transposed into UK domestic law subject to significant amendments. The Insolvency (Amendment) (EU Exit) Regulations 2019 (SI 2019/146) (as amended) effected key amendments to both EU insolvency laws previously directly applicable in the UK, including the Insolvency Regulation 2000 and the EU Insolvency Regulation, and domestic insolvency laws, including the Insolvency Act 1986 (the "**Insolvency Act**"), the Insolvency (England and Wales) Rules 2016 (SI 2016/1024) (the "**Insolvency Rules**") and the Cross-Border Insolvency Regulations 2006 (SI 2006/1030) (the "**Cross-Border Insolvency Regulations**").

Unless insolvency proceedings or certain related proceedings were opened prior to the expiry of the Transition Period, in which case the unmodified EU Insolvency Regulation and related EU insolvency legislation govern the proceedings, insolvency proceedings with respect to the English Obligors would likely proceed under, and be governed by, English insolvency laws in force at the time of commencement of the relevant proceedings. However, to the extent that an English Obligor has its "centre of main interests" ("**COMI**") in a member state of the EU, insolvency proceedings could, pursuant to the EU Insolvency Regulation and subject to certain exceptions, be opened in the relevant EU member state and be subject to the laws of that EU member state (see "*European Union*" above). In addition, pursuant to the Cross-Border Insolvency Regulations, certain foreign courts may have jurisdiction to oversee insolvency proceedings of any English Obligor which has its COMI or an "establishment" (being a place of operations where it carries out a non-transitory economic activity with human means and assets or services) in such foreign jurisdiction.

Although the scope of the English courts' jurisdiction varies for the different insolvency proceedings available in England and Wales, English courts generally have jurisdiction to open insolvency proceedings in respect of any company which has its COMI in the UK or which has its COMI in an EU member state (other than Denmark) and an "establishment" in the UK. An "establishment" is defined in the same way as under the EU Insolvency Regulation (see "*European Union*" above). While this allows English courts to assume jurisdiction over certain foreign companies in respect of certain insolvency proceedings, the efficacy of such proceedings will significantly depend on the likelihood and extent of subsequent recognition of such proceedings in relevant other jurisdictions (see "*Cross-border recognition of English insolvency and restructuring proceedings*" below).

English insolvency law is different to the laws of the United States and other jurisdictions with which investors may be familiar. In the event that the English Obligors experience financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings. The obligations under the Notes are guaranteed by the Guarantees and secured by security interests over the Collateral. English insolvency laws and other limitations could limit the enforceability of a Guarantee against the English Obligors or security interests over the Collateral.

The following is a brief description of certain aspects of English insolvency law relating to certain limitations on the Guarantees and the security interests over the Collateral. The application of these laws could adversely affect investors, their ability to enforce their rights under the Guarantees and/or under the Collateral securing the Notes and the Guarantees and therefore may limit the amounts that investors may receive in an insolvency of the English Obligors.

Fixed versus floating charges

There are a number of ways in which fixed charge security has advantages over floating charge security.

Until floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of 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.

On an insolvency of a charging company: (a) a fixed charge, even if created after the date of a floating charge, may have priority as against a floating charge over the same charged assets (provided that the floating charge has not crystallized at the time the fixed charge was granted and there were no restrictions on the creation of such security which the fixed charge holder was aware of); (b) general costs and expenses (including the remuneration of the insolvency officeholders and the costs of continuing to operate the business of the charging company while in administration) properly incurred in an insolvency process are generally payable out of the assets of the charging company (including the assets (including cash) that are the subject of the floating charge) and insolvency officeholders appointed to a charging company can convert floating charge assets to cash and use such cash to meet such general costs and expenses in priority to the claims of the floating charge holder to the extent that the value of the charging company's unsecured assets is not sufficient to cover such costs and expenses in full; (c) an administrator may dispose of or take action relating to property subject to a floating charge without the prior consent of the charge holder or court, although the floating charge holder retains the same priority in respect of the proceeds from the disposal of the assets subject to the floating charge; (d) where the floating charge is not a "security financial collateral arrangement" (generally, a charge over cash or financial instruments such as shares, bonds or tradeable capital market debt instruments and credit claims) under the Financial Collateral Arrangements (No. 2) Regulations 2003 (as amended) (the "**Financial Collateral Regulations**"), floating charge security is subject to the claims of certain preferential creditors and the ring-fencing of the Prescribed Part for unsecured creditors (see "*Priority on insolvency*" below); and (e) there are particular insolvency "clawback" risks in relation to floating charge security.

Please note, however, that with prior approval of the court, an administrator may also deal with property subject to a fixed charge, provided that disposing of the property is likely to promote the purpose of the administration and that the administrator applies the net proceeds from the disposal of the property in question towards discharging the obligations of the company to the charge holder.

There is a possibility under English law that a court could find that some or all of the fixed security interests expressed to be created by the security documents governed by English law properly take effect as floating charges as the description given to them as fixed charges is not determinative. Whether the purported fixed security interests will be upheld as fixed security interests rather than recharacterized as floating security interests will depend, among other things, on whether the secured party has the requisite degree of control over the charging company's ability to deal with the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the security holder in practice. Where the charging company is free to deal with the assets that are the subject of a purported fixed charge in its discretion and without the consent of the chargee, the court would be likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge.

If any fixed security interests are recharacterized as floating security interests: (a) the proceeds of those assets could be applied in meeting other liabilities of the company in priority to the claims of the purported fixed charge holder in insolvency proceedings and (b) it is possible that the floating charge security may not relate to the whole or substantially the whole of the property of the relevant company and therefore may not constitute a "qualifying floating charge" (see also "*Administration*" and "*Qualifying floating charge*" below).

Administration

English insolvency statutes empower English courts to make an administration order in respect of any company within their general jurisdiction (see "*Applicable legal framework and jurisdiction of the English courts*" above), any company incorporated in England, Wales, Scotland or an EEA state, any company (irrespective of its country of incorporation) with its COMI in the UK or an EU member state (other than Denmark) and upon request from courts in other parts of the United Kingdom or certain other countries and territories. In each case and subject to specific conditions, an administration order can be made if the court is satisfied that (a) the relevant company is or is likely to become "unable to pay its debts" and (b) the administration order is reasonably likely to achieve the purpose of administration.

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) or 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), as per Section 123 of the Insolvency Act. Such insolvency is presumed if, among other matters, the company fails either to satisfy a creditor's statutory demand for a debt exceeding £750 within 21 days of service or to satisfy in full or in part a judgment debt (or similar court order). The purpose of an administration is comprised of three objectives, each of which must be considered successively: (i) rescuing the company as a going concern or, (ii) if that is not reasonably practicable, achieving a better result for the company's creditors as a whole than would be likely upon immediate liquidation or, (iii) 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 one or more secured or preferential creditors. The order of priority which applies to any distribution to creditors is set out below (see "*Priority on insolvency*" below). An administrator must attempt to achieve the objectives of administration order, unless he thinks it is not reasonably practicable to achieve the primary objective, or that the secondary objective would achieve a better result for the company's creditors as a whole. The administrator cannot pursue the third objective unless he thinks either the first or the second objective is unachievable and that it will not unnecessarily harm the interests of the creditors of the company as a whole to pursue the third objective.

Without limitation and subject to specific conditions, the debtor company, the directors of such company or the holder of a "qualifying floating charge" (as described in *"Qualifying floating charge"* below) where the floating charge has become enforceable may appoint an administrator out of court. Different appointment procedures apply according to the identity of the appointor.

An administrator is given wide powers to conduct the business of the company to which they are appointed and, subject to certain requirements under the Insolvency Act, dispose of the property of a company in administration (including property subject to a floating charge). A set proportion of the proceeds of the realization of any property subject to a floating charge will need to be set aside for satisfaction of the claims of preferential creditors and the ringfencing of the Prescribed Part (see "*Prescribed Part*" below). An administrator may also, with prior approval by the court, deal with assets subject to a fixed charge, provided that disposing of the property is likely to promote the purpose of the administration and the administrator applies the net proceeds from the disposal towards discharging the obligations of the company to the fixed charge holder.

In addition, certain rights of creditors, including secured creditors, are curtailed in an administration. Upon the appointment of an administrator, a statutory moratorium is imposed and no step may be taken to enforce security or a guarantee over the company's property except with the consent of the administrator or leave of the court (although a demand for payment could be made under a guarantee granted by the company). The same requirements for consent or permission apply to the institution or continuation of legal process (including legal proceedings, execution, distress and diligence) against the company or property of the company. In either case, a court will consider discretionary factors in determining any application for leave in light of the hierarchy of statutory objectives of administration described above.

However, certain creditors of a company in administration may, in certain defined circumstances, be able to realize their security over certain of that company's property notwithstanding the statutory moratorium. This is by virtue of the disapplication of the moratorium in relation to a "security financial collateral arrangement" (generally, a charge over cash or financial instruments such as shares, bonds or tradeable capital market debt instruments and credit claims) under the Financial Collateral Regulations.

Accordingly, if the English Obligors were to enter into administration, the Guarantees and/or the Collateral provided by the English Obligors may not be enforceable without the permission of the court or consent of the administrator while the English Obligors were in administration. There can be no assurance that the Security Agent would obtain such permission of the court or consent of the administrator.

Qualifying floating charge

If a company grants security constituting a "qualifying floating charge" to a party for the purposes of English insolvency law, that party will be able to appoint an administrative receiver (subject to the caveat below) or an administrator out of court. The holder of a qualifying floating charge will also receive advance notice of an intention of the company to appoint an administrator or file for liquidation allowing the charge holder to appoint its own administrator or administrative receiver or to apply to court to have the company's nominee restrained from proceeding, if it can be shown this was inappropriate or for an improper purpose. A floating charge qualifies if it is created by an instrument which (a) states that the relevant statutory provision applies to it (paragraph 14 of Schedule B1 of the Insolvency Act); (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. A party will be the holder of a qualifying floating charge if such floating charge security, together (if necessary) with other forms of security granted to that party, relates to the whole or substantially the whole of the property of the relevant company, and at least one such security interest is a qualifying floating charge.

Please note that it is a matter of fact whether the extent of the security granted relates to 'the whole or substantially the whole' of the property of a company and there is no statutory guidance as to what percentage of a company's assets should be charged to satisfy this test.

Administrative receivership

The ability to appoint an administrative receiver only applies to a qualifying floating charge where the security document granting such charge pre-dates September 15, 2003 or where it falls within one of the exceptions under the Insolvency Act (as amended by the Enterprise Act 2002). 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 million for the relevant English company during the life of the arrangement and the arrangement involves the issue of a "capital market investment" (which is defined in the Insolvency Act and includes rated, listed or traded debt instruments and debt instruments designed to be rated, listed or traded).

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 floating 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 capable of challenge as a transaction at an undervalue, a preference or an invalid floating charge. If an administrator is appointed, any administrative receiver will vacate office.

Fixed charge receivership

A fixed charge receiver (as opposed to an administrative receiver, who is appointed under certain floating charges—see "*Administrative receivership*" above) may be appointed over some or all of the assets secured by a fixed charge in accordance with the terms of a security document creating a fixed charge or (in limited circumstances) pursuant to statute.

If appointed under the terms of a security agreement, grounds for appointment under the terms of the charge (such as a default) must exist and the charging company must have failed to satisfy the demand made for an appointment to take place. A fixed charge receiver can be appointed in parallel to a liquidator. An administrator may require a fixed charge receiver to vacate office unless that fixed charge receiver was appointed under a charge which falls within the definition of a "security financial collateral arrangement," as per Reg. 8(4) of the Financial Collateral Regulations (see "*Administration*" above).

The primary duty of the fixed charge receiver is to realize the assets over which (s)he is appointed, meaning (s)he owes an over-riding duty of care to the appointor. This contrasts with the duty of an administrator, who performs his/her duties in the interests of a company's creditors as a whole. In other words, receivership is a proprietary remedy whereas administration is a collective procedure. In realizing the charged assets, the receiver will need to take reasonable care to obtain the best price obtainable in the circumstances. In doing so, the fixed charge receiver will be entitled to a statutory indemnity in respect of any liabilities from the realizations made of the assets of the company (and may also have the benefit of a contractual indemnity from the appointor).

To the extent the receiver has been appointed under a crystallized floating charge, amounts will be deducted from the proceeds of the realization of the charged assets to pay the Prescribed Part and any preferential creditors (see "*Fixed versus floating charge*" above).

Scheme of arrangement

Although not an insolvency proceeding, pursuant to Part 26 of the Companies Act 2006 the English courts have jurisdiction to sanction a scheme of arrangement that effects a compromise of a company's liabilities between a company and its creditors (or any class of its creditors). The English Obligors may be able to pursue a scheme in respect of its financial liabilities. In addition, the English courts have jurisdiction to sanction a scheme of arrangement in respect of a foreign obligor which (a) is liable to be wound up under the Insolvency Act and (b) has a "sufficient connection" to England and Wales. In practice, a foreign company is likely to satisfy the first limb of this test and the second limb has been found to be satisfied where, amongst other things, the company's COMI is in England, the company's finance documents are English law governed or the company's finance documents have been amended in accordance with their terms to be governed by

English law. Ultimately, each case will be considered on its particular facts and circumstances so previous cases will not necessarily determine whether or not any of the grounds of the second limb are satisfied in the present case.

Before the court considers the sanction of a scheme of arrangement, affected creditors will vote on the proposed compromise or arrangement in respect of their claims in a single class or in a number of classes, depending on the rights of such creditors that will be affected by the proposed scheme and any new rights that such creditors are given under the scheme. Such compromise can be proposed by the company or its creditors. If a majority in number representing 75% or more by value of those creditors present and voting at the meeting(s) of each class of creditors vote in favour of the proposed scheme, irrespective of the terms and approval thresholds contained in the finance documents, then that scheme will (subject to the sanction of the court) be binding on all affected creditors, including those affected creditors who did not participate in the vote and those who voted against the scheme. The scheme then needs to be sanctioned by the court at a sanction hearing where the court will review the fairness of the scheme and consider whether it is reasonable. The court has discretion as to whether to sanction the scheme as approved, make an order conditional upon modifications being made or reject the scheme.

Unlike an administration proceeding, the commencement of a scheme of arrangement does not trigger a moratorium on claims or proceedings.

Restructuring plan

Like a scheme of arrangement, a restructuring plan is not a process under the Insolvency Act, but a procedure under Part 26A of the Companies Act 2006 which allows the English courts to effect a compromise of a company's liabilities between a company and its creditors (or any class of its creditors). While generally available to the same domestic and foreign companies as schemes of arrangement, a company seeking to enter into a restructuring plan process must show that (a) it has encountered, or is likely to encounter, financial difficulties that are affecting, or will or may affect, its ability to carry on business as a going concern, and (b) a compromise or arrangement has been proposed between the company and its creditors (or any class of them) whose purpose it is to eliminate, reduce or prevent, or mitigate the effect of, any of those financial difficulties.

A restructuring plan may be proposed by the debtor company, any creditor of the company or any liquidator or administrator appointed to the company. As with a scheme of arrangement, affected creditors will vote on the proposed compromise or arrangement in respect of their claims in a single class or in a number of classes depending on the rights of such creditors which will be affected by the proposed restructuring plan and any new rights that such creditors are given under the restructuring plan.

A restructuring plan will be deemed to be approved if at least 75% in value of the creditors present and voting at the meeting of at least one class of creditors vote in favour of the proposed compromise, there is no requirement for the approving creditors to constitute a majority in number of those creditors present and voting, and there is crucially no requirement for each and every voting class to approve of the plan, provided that the court is satisfied that (a) none of the members of a dissenting class would be any worse off if the restructuring plan were to be sanctioned than they would be in the event of the 'relevant alternative' and (b) the restructuring plan was approved by at least one class of creditors who would receive a payment or have a genuine economic interest in the company in the event of the 'relevant alternative'. The 'relevant alternative' for the purposes of this assessment is whatever the court considers would be most likely to occur in relation to the company if the restructuring plan were not sanctioned. By virtue of these mechanics, the restructuring plan process provides for the possibility of a 'cross-class cram-down', meaning the courts may sanction a restructuring plan even if one or more classes of affected creditors do not vote in favour of the restructuring plan, effectively allowing the vote of one class of stakeholders to bind other classes.

Following approval of the restructuring plan at the creditor meeting(s), the restructuring plan needs to be sanctioned by the court at a sanction hearing where the court will review whether the applicable statutory conditions have been met and consider whether the restructuring plan is just and equitable. The court has discretion as to whether to sanction the restructuring plan as approved, make an order conditional upon modifications being made or reject the restructuring plan. Courts are likely to pay particular attention to the fairness and equity of any cross-class cram-down effected by the proposed arrangement. Once sanctioned, the restructuring plan binds all affected stakeholders whose rights will be as set out in the restructuring plan.

As with schemes of arrangement, the commencement of a restructuring plan process does not automatically trigger a moratorium on claims or proceedings.

Liquidation/winding-up

Liquidation is a company dissolution procedure under which the assets of a company are realized and distributed by the liquidator to creditors in the statutory order of priority prescribed by the Insolvency Act (see "*Priority on insolvency*" below). There are two forms of winding-up: (a) compulsory liquidation, by order of the court; and (b) members' voluntary liquidation or creditors' voluntary liquidation, in each case by resolution of the company's members. The difference between the two latter proceedings is the solvency of the company in question; in a members' voluntary liquidation, the directors of the company swear a statutory declaration as to the company's solvency over the following 12 months whereas the primary ground for the creditors' voluntary liquidation of an insolvent company is that it is unable to pay its debts (as defined in Section 123 of the Insolvency Act—see "*Administration*" above). Note that while a creditors' voluntary liquidation (other than as an exit from administration) is initiated by a resolution of the members, not the creditors, once in place the process is subject to some degree of control by the creditors. Whereas compulsory liquidation and creditors' voluntary liquidation proceedings are available to foreign companies with sufficient nexus to the UK in addition to companies within the English courts' general jurisdiction (see "*Applicable legal framework and jurisdiction of the English courts*" above), members' voluntary liquidation proceedings are only available to companies registered in England, Wales or Scotland.

The effect of a compulsory winding-up differs in a number of respects from that of a voluntary winding-up. In a compulsory winding-up, under Section 127 of the Insolvency Act any disposition of the relevant company's property made after the commencement of the winding-up is, unless sanctioned by the court, void. 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 Regulations and will not prevent a close-out netting provision taking effect in accordance with its terms. Subject to certain exceptions, when an order is made for the winding-up of a company by the court, it is deemed to have commenced at the time of the presentation of the winding-up petition (but note "*Statutory demands and winding-up petitions*" below). Once a winding-up order is made by the court, a stay of all proceedings against the company will be imposed. No action or proceeding may be continued or commenced against the company without permission of the court and subject to such terms as the court may impose although there is no freeze on the enforcement of security.

In the context of a voluntary winding-up, however, there is no equivalent to the retrospective effect of a winding-up order; the winding-up commences on the passing of the resolution to wind up. As a result, there is no equivalent of Section 127 of the Insolvency Act. There is also no automatic stay in the case of a voluntary winding-up—it is for the liquidator, or any creditor or contributory of the company, to apply for a stay to prevent the continuation of legal proceedings and enforcement of security.

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 (see "*Avoidance of Transactions*" below).

In light of the coronavirus pandemic, legislation has been introduced which temporarily restricts the ability of creditors to present winding-up petitions and of courts to grant winding-up orders. While these measures remain in place, (a) winding-up petitions on the basis of a company's inability to satisfy a statutory demands alone are void if the relevant statutory demands were served between March 1, 2020 and June 30, 2021, and (b) where winding-up petitions are presented between April 27, 2020 and June 30, 2021 based on other grounds, the petitioning creditor must show that it had reasonable grounds to believe that coronavirus has not had a financial effect on the company or that the company's inability to pay its debts would have arisen even if coronavirus had not had such effect on the company. Between April 27, 2020 and June 30, 2021, a court may similarly only grant a winding-up order in circumstances where a company is deemed unable to pay its debts and it appears to the court that coronavirus has had a financial effect on the company before the presentation of the petition if the court is satisfied that the company's insolvency would have arisen even if coronavirus had not had such effect on the company.

Priority on insolvency

One of the primary functions of winding-up (and, where the company cannot be rescued as a going concern, one of the possible functions of administration) under English law is to realize the assets of the company in question and distribute the proceeds from those assets to the company's creditors.

In accordance with the Insolvency Act and the Insolvency Rules, creditors are placed into different classes, with the proceeds from the realization of the insolvent company's property applied in descending order of priority, as set out below. With the exception of the Prescribed Part (as defined below), distributions generally cannot be made to a class of creditors until the claims of the creditors in a prior-ranking class have been paid in full. Unless creditors have agreed otherwise with the company, distributions are made on a *pari passu* basis, that is, the assets are distributed in proportion to the debts due to each creditor within a class.

Contractual setting-off arrangements entered into after a company enters liquidation or administration are only respected to the extent they fall within the definition of "mutual dealing" as applied by the mandatory insolvency set-off regime. This regime sees an account being taken of what is due from each party to the other in respect of their mutual dealings, and only the resulting net balance is either provable by the creditor in the administration or liquidation of the company (if amounts remain due to the creditor) or, conversely, is payable by the creditor to the company (if amounts remain due to the company).

The general priority on insolvency is as follows (in descending order of priority):

- *First ranking:* holders of fixed charge security (but only to the extent the value of the secured assets covers that indebtedness);
- *Second ranking:* expenses of the insolvent estate (there are statutory provisions setting out the order of priority in which expenses are paid);
- *Third ranking:* ordinary and secondary preferential creditors.

Ordinary preferential debts include (but are not limited to) debts owed by the insolvent company in relation to: (a) contributions to occupational and state pension schemes; (b) 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 (c) holiday pay due to any employee whose contract has been terminated, whether the termination takes place before or after the date of insolvency. As between one another, ordinary preferential debts rank equally.

Secondary preferential debts rank for payment after the discharge of ordinary preferential debts and include claims by HMRC in respect of certain taxes including VAT, PAYE income tax (including student loan repayments), employee NI contributions and Construction Industry Scheme deductions (but excluding corporation tax and employer NI contributions) which are held by the company on behalf of employees and customers. As between one another, secondary preferential debts rank equally;

- *Fourth ranking:* holders of floating charge security, to the extent of the realizations from those secured assets, according to the priority of their security. This would include any security interest that was stated to be a fixed charge in the document that created it but which, on proper interpretation by the court, was rendered a floating charge. However, before distributing asset realizations to the holders of floating charges, the Prescribed Part (as defined below) must, subject to certain exceptions, be set aside for distribution to unsecured creditors;
- *Fifth ranking*:
  - firstly, provable debts of unsecured creditors and (to the extent of any unsecured shortfall) secured creditors, in each case including accrued and unpaid interest on those debts up to the date of commencement of the relevant insolvency proceedings. To pay the secured creditors any unsecured shortfall, the insolvency officeholder can only use realisations from unsecured assets as secured creditors are not entitled to any distribution from the Prescribed Part unless the Prescribed Part is sufficient to pay out all unsecured creditors;
  - secondly, interest on the company's debts (at the higher of the applicable contractual rate and the rate determined in accordance with the Judgments Act 1838 (currently 8% per annum)) in respect of any period after the commencement of liquidation or after the commencement of an administration which has been converted into a distributing administration. However, in the case of interest accruing on amounts due under the Notes or the Notes Guarantees, such interest due to the holders of the Notes may, if there are sufficient realizations from the secured assets, be discharged out of such security recoveries; and
  - thirdly, non-provable liabilities, being liabilities that do not fall within any of the categories above and therefore are only recovered in the (unusual) event that all categories above are fully repaid; and
- *Sixth ranking:* 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.

Subject to the above order of priority, subordinated creditors are ranked according to the terms of the subordination language in the relevant documentation.

An insolvency practitioner of the company (*e.g.*, an administrator, administrative receiver or liquidator) will generally be required to ring-fence a certain percentage of the proceeds of enforcement of floating charge security for the benefit of unsecured creditors (after making full provision for preferential creditors and expenses out of floating charge realizations) (the "**Prescribed Part**"). This ring-fence applies to (a) 50% of the first £10,000 of the company's net property and (b) 20% of the remainder of the company's net property over £10,000, with a maximum aggregate cap of £800,000 (except where the company's net property is available to be distributed to the holder of a first-ranking floating charge created before April 6, 2020, in which case the maximum aggregate cap is £600,000). The Prescribed Part must be made available to unsecured creditors unless the cost of doing so would be disproportionate to the resulting benefit to creditors.

Foreign currency

Under English insolvency law, where creditors are asked to submit formal proofs of claim for their debts, the officeholder will convert all foreign currency denominated proofs of debt into pound sterling at a single rate for each currency determined by the officeholder by reference to the exchange rates prevailing on the relevant date. This provision overrides any agreement between the parties. If a creditor considers the rate to be unreasonable, they may apply to the court.

Accordingly, in the event that the English Obligors go into liquidation or administration, holders of the Notes may be subject to exchange rate risk between the date on which the English Obligors go into liquidation or administration and receipt of any amounts to which such holders of the Notes may become entitled. Any losses resulting from currency fluctuations are not recoverable from the insolvent estate.

Avoidance of transactions

There are circumstances under English insolvency law in which the granting by an English company of security and/or guarantees can be challenged. In most cases, this will only arise if the company is placed into administration or liquidation within a specified period after the granting of the security and/or guarantee. Therefore, if during the specified period an administrator or liquidator is appointed to an English company, the administrator or liquidator may challenge the validity of the security or guarantee given by such company.

The Issuer cannot be certain that, in the event that the onset of an English company's insolvency (as described below) is within any of the requisite time periods, the grant of a security interest and/or guarantee in respect of the Notes would not be challenged or that a court would uphold the transaction as valid.

Onset of insolvency

The date of the onset of insolvency, for the purposes of transactions at an undervalue, preferences and invalid floating charges (as discussed below) depends on the insolvency procedure in question.

In an administration, the onset of insolvency is the date on which: (a) the court application for an administration order is issued; (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 (but note "*Statutory demands and winding-up petitions*" below), whereas in a voluntary liquidation it is the date the company passes the relevant winding-up resolution. Where liquidation follows administration, the onset of insolvency will be the same as for the initial administration.

Connected persons

If a given transaction at an undervalue, preference or invalid floating charge has been entered into by the company with a "connected person", then particular specified time periods and presumptions will apply to any challenge by an administrator or liquidator (as set out below).

A "connected person" of a company granting a security interest or guarantee for the purposes of transactions at an undervalue, preferences or invalid floating charges is a party who is: (a) a director of the company; (b) a shadow director; (c) an associate of such director or shadow director; or (d) an associate of the relevant company.

A party is associated with an individual if they are: (a) a relative of the individual; (b) the individual's husband, wife or civil partner; (c) a relative of the individual's husband, wife or civil partner; (d) the husband, wife or civil partner of a relative of the individual; or (e) the husband, wife or civil partner of a relative of the individual's husband, wife or civil partner. A party is associated with a company if they are 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.

A person is to be taken as having control of a company if the directors of the company or of another company which has control of it (or any of them) are accustomed to act in accordance with his directions or instructions, or he is entitled to exercise, or control the exercise of, one third or more of the voting power at any general meeting of the company or of another company which has control of it. Where two or more persons together satisfy either of these conditions, they are to be taken as having control of the company.

The potential grounds for challenge available under English law that may apply to any security interest or guarantee granted by an English company include, without limitation, the following described below:

Transactions at an undervalue

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside the creation of a security interest or a guarantee (or grant other relief) where the creation of such security interest or guarantee constituted a transaction at an undervalue.

A transaction will only be a transaction at an undervalue if, at the time of the transaction or as a consequence of the transaction, the English company is unable to pay its debts or becomes unable to pay its debts (as defined in Section 123 of the Insolvency Act). The transaction can be challenged if the onset of the English company's insolvency is within a period of two years from the date the English company grants the security interest or the guarantee. A transaction may be set aside as a transaction at an undervalue if the company made a gift to a person, if the company received no consideration or if the company received consideration of significantly less value, in money or money's worth, than the consideration given by such company. However, a court shall not make an order 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 it.

If the court determines that the transaction was a transaction at an undervalue, the court shall make such order as it sees fit to restore the company to the position it would have been in had it not entered into the transaction. In any proceedings, it is for the administrator or liquidator to show that the English company was unable to pay its debts unless a beneficiary of the transaction was a connected person (see "*Connected persons*" above), in which case there is a presumption of insolvency and the connected person must demonstrate that the company was not unable to pay its debts at the time of the transaction or became unable to do so as a consequence of the transaction.

An order by the court for a transaction at an undervalue may affect the property of, or impose any obligation on, any person whether or not they are the person with whom the company entered into the transaction, but such an order will not prejudice any interest in property which was acquired from a person other than the English company in good faith and for value or prejudice any interest deriving from such an interest, and will not require a person who received a benefit from the transaction in good faith and for value to pay a sum to the liquidator or administrator of the company, except where the person was a party to the transaction.

Preference

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside payments, the creation of a security interest or a guarantee (or grant other relief) where such payment, creation of security interest or guarantee constituted a preference.

It will only be a preference if, at the time of the transaction or in consequence of the transaction, the English company is unable to pay its debts or becomes unable to pay its debts (as defined in Section 123 of the Insolvency Act). The transaction can be challenged if the English company enters into insolvency within a period of six months (if the beneficiary of the security or the guarantee is not a connected person) or two years (if the beneficiary is a connected person) from the date the English company grants the security interest or the guarantee constituting the preference. A transaction may constitute a preference if a transaction has the effect of putting a creditor of the English company (or a surety or guarantor for any of the company's debts or liabilities) in a better position (in the event of the company going into insolvent liquidation) than such creditor, guarantor or surety would otherwise have been in had that transaction not been entered into. However, a court shall not make an order unless the company which entered into the transaction was influenced by a desire to produce a preferential position in relation to that person when taking their decision.

If the court determines that the transaction was a preference, the court shall make such order as it sees fit to restore the company to the position it would have been in had it not entered into the transaction. In any proceedings, it is for the administrator or liquidator to show that the English company was unable to pay its debts at the relevant time and that there was such desire to prefer the relevant creditor. If, however, the beneficiary of the transaction was a connected person (except where such beneficiary is a connected person by reason only of being the company's employee), it is presumed that the company intended to put that person in a better position and the connected person must demonstrate that there was, in fact, no such desire on the part of the company to prefer them.

An order by the court for a preference may affect the property of, or impose any obligation on, any person whether or not they are the person to whom the preference was given, but such an order will not prejudice any interest in property which was acquired from a person other than the English company in good faith and for value or prejudice any interest deriving from such an interest, and will not require a person who received a benefit from the preference in good faith and for value to pay a sum to the liquidator or administrator of the company, except where the payment is to be in respect of a preference given to that person at a time when they were a creditor of the English company.

Transactions defrauding creditors

Under English insolvency law, where a transaction was at an undervalue and the court is satisfied that it was made for the substantial purpose of putting assets beyond the reach of a person who is making, or may make, a claim against the company in question, or of otherwise prejudicing the interests of a person in relation to the claim which that person is making or may make, the transaction may be set aside by the court as a transaction defrauding creditors. This provision may be used by any person who claims to be a "victim" of the transaction including the UK Financial Conduct Authority and the UK Pensions Regulator (with the leave of the court if the company is in liquidation or administration) and use of the provision is therefore not limited to liquidators or administrators. There is no statutory time limit under English insolvency legislation within which the challenge must be made (subject to the normal statutory limitation periods) and the relevant company does not need to be insolvent at the time of, or as a result of, the transaction.

If the court determines that the transaction was a transaction defrauding creditors, the court may make such order as it sees fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction.

The relevant court order may affect the property of, or impose any obligation on, any person whether or not they are the person with whom the transaction was entered into. However, such an order will not prejudice any interest in property which was acquired from a person other than the debtor company in good faith, for value and without notice of the relevant circumstances, and will not require a person who received a benefit from such transaction in good faith, for value and without notice of the relevant circumstances to pay any sum to the liquidator or administrator of the company unless such person was a party to the transaction.

Voidable floating charge

Under English insolvency law, floating charges created by an English company within a period of one year prior to the onset of the English company's insolvency (or two years in the case of a floating charge in favour of a connected person) at a time when the English company was unable to pay its debts or became unable to do so as a consequence of the transaction will be invalid, except to the extent of the value of: (a) the money paid to; (b) the goods or services supplied to; or (c) any discharge or reduction of any debt of, the relevant English company at the same time as or after the creation of the floating charge (plus certain interest) (the "**Consideration**"). The requirement for an English company to be unable to pay its debts at the time of granting the floating charge or to become insolvent as a consequence of doing so does not apply where the floating charge is granted to a connected person.

An administrator or liquidator (as applicable) does not need to apply to court for an order declaring that a floating charge is invalid by operation of law. Any floating charge created during the relevant time period is automatically invalid, except to the extent of the value of the Consideration, irrespective of whether the relevant English company is solvent or insolvent at the time of grant.

However, if the floating charge constitutes a "security financial collateral arrangement" under the Financial Collateral Regulations, the floating charge will not be subject to challenge as described in "*Administration*" above.

Recharacterization of fixed charge

As referred to above (see "*Fixed versus floating charges*" above), note the risk of a fixed charge being recharacterized as a floating charge. If such recharacterization falls within the suspect period referred to above (see "*Voidable floating charge*" above) this could render the charge invalid except to the value of the Consideration.

Security over shares

Security over shares granted by the English Obligors or over shares of the English Obligors are, under English law, equitable charges, not legal charges. An equitable charge arises where a charging company creates an encumbrance over the property in favour of the chargee but the charging company retains legal title to the shares. Remedies in relation to equitable charges may be subject to equitable considerations or may otherwise be at the discretion of the court.

The validity of share security and the ability of secured parties to enforce security interests over shares may additionally be affected by a failure of the charging company or related parties or (in certain circumstances) the secured parties to comply within the relevant timeframes with the disclosure and notification obligations under English company statutes in respect of persons with significant control and relevant legal entities.

Account Bank's right to set off

With respect to any security over bank accounts (each an "**Account Charge**") granted by the English Obligors, the banks with which some of those accounts are held (each an "**Account Bank**") may have reserved their right at any time to exercise the rights of netting or set-off to which they are entitled under their cash pooling or other arrangements with the English Obligors. As a result, and if the security granted over those accounts is merely a floating (rather than fixed) charge, the collateral constituted by those bank accounts will be subject to the relevant Account Bank's rights to exercise netting and set-off with respect to the bank accounts charged under the relevant Account Charge. Once the floating charge has crystallized and converted into a fixed charge (as it would on enforcement or the occurrence of certain insolvency events with respect to the English Obligors) and the Account Bank has been formally notified of that fact, the collateral will no longer be subject to the relevant Account Bank's netting and set-off rights unless the Account Bank has expressly reserved set-off rights in such circumstances.

Extortionate Credit Transactions

An administrator or a liquidator can apply to court to set aside an extortionate credit transaction. The court can review extortionate credit transactions which took place up to three years before the day on which the company entered into administration or went into liquidation. A credit 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.

Disclaimer

An English liquidator has the power to disclaim onerous property, which is any unprofitable contract or other property of the company that cannot be sold, readily sold or may give rise to a liability to pay money or perform any other onerous act, by serving the prescribed notice on the relevant party. A contract may be unprofitable if it gives rise to prospective liabilities and imposes continuing financial obligations on a company that may be detrimental to creditors. A contract will not be unprofitable merely because it is financially disadvantageous or because the company could have made, or could make, a better bargain. However, this power to disclaim onerous property does not apply to an executed contract nor can it, except so far as is necessary for the purpose of releasing the company from any liability, affect the rights or liabilities of any other person.

Limitations on enforcement

Constitutional documents, corporate benefit and financial assistance

The grant of a Guarantee or Collateral by the English Obligors 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 these documents 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 English Obligors in good faith; however, the relevant legislation is not without difficulties in its interpretation.

Further, corporate benefit must be established for the English Obligors in question by virtue of entering into the proposed transaction. Section 172 of the Companies Act 2006 provides that a director must act in a way that he considers, in good faith, would be most likely to promote the success of the company 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 to be abusing their powers as directors and such a transaction may be vulnerable to being set aside by a court. Section 172(3) of the Companies Act 2006 additionally provides that, in certain circumstances, the directors need to consider or act in the interests of the creditors of the company. While the statutory provisions do not prescribe when directors' duties to creditors arise, the English courts have held that the shift takes place when the directors know, or should know, that the company in question is or is likely to become insolvent, with "likely" in this context meaning "probable."

Security and/or guarantees granted by the English Obligors may also be subject to potential limitations to the extent they would result in unlawful financial assistance contrary to English company law.

Security registration

Under English company law, subject to limited exceptions, any security granted by a charging company incorporated in England and Wales (including security governed by law other than English law) (together with prescribed particulars of the relevant security) may be delivered to the Registrar of Companies for registration within 21 days after the date of creation of the relevant security interest. While the Companies Act 2006 does not impose an obligation as such on English companies to register security created on or after April 6, 2013, security will be deemed to be void against a liquidator, administrator and any creditor of the applicable charging company if not registered within the 21-day period. When security becomes so void, the debt, which was intended to be secured by such security, is deemed to become immediately payable. In limited circumstances, it may be possible to apply to the English courts for an order to rectify a failure to register and allow the relevant charge to be registered after the 21-day period has expired.

Security created on or after 1 October 2011 by overseas companies over assets in England and Wales does not need to be registered with the Registrar of Companies. Registration with applicable asset registries may, however, still be required depending on the nature of the collateral assets.

Moratoriums

As outlined above, certain of the insolvency processes available in England and Wales provide for the automatic or optional moratorium imposing a period of time during which third parties including creditors are unable to institute or continue legal action against the company, enforce certain rights and/or call upon security or guarantees. Besides the moratorium available to companies undergoing administration (see "*Administration*" above), moratoriums are also available to companies entering liquidation (see "*Liquidation/ winding-up*" above).

Restriction on the operation and exercise of ipso facto provisions

Changes to the Insolvency Act have introduced a restriction on the operation and exercise of ipso facto clauses in order to preserve the continuity of the provision of goods and services to companies undergoing insolvency procedures. In general terms, ipso facto clauses are provisions in supply of goods or services contracts which allow suppliers to terminate the contract or supply or take any other action, or provide for the automatic termination of the contract or supply or the occurrence of any other event, upon the counterparty entering an insolvency procedure. Under the new approach, to the extent that the trigger event is the counterparty's entry into a 'relevant insolvency procedure' (i.e. an administration, administrative receivership, company voluntary arrangement, liquidation and/or a restructuring plan), such clauses will be deemed void and suppliers will be unable to terminate the relevant contracts unless the company or the relevant office-holder consents to the termination or the court grants permission on the basis that it is satisfied that the continuation of the contract would cause the supplier hardship.

The restrictions do not apply to a range of contracts involving financial services or entities involved in the provision of financial services, including contracts for the provision of lending, financial leasing or guarantees, contracts for the purchase, sale or loan of securities or commodities and agreements which are, or form part of, arrangements involving the issue of a capital market investment (as defined in the Insolvency Act). In light of the coronavirus pandemic, certain small suppliers are also temporarily excluded from the restrictions where the counterparty enters into relevant insolvency procedures prior to 30 June 2021 (unless extended further).

Cross-border Recognition of English Insolvency and Restructuring Proceedings

General Position

The recognition of English insolvency and restructuring proceedings in other jurisdictions is governed by applicable treaties in respect of the mutual recognition (or otherwise) of courts' jurisdiction, proceedings and judgments and general principles of private international law such as comity and conflicts of laws rules applicable in the relevant jurisdictions.

One of the key insolvency-related treaties is the UNCITRAL Model Law on Cross-Border Insolvency (the **"Model Law"),** which has been adopted in a number of jurisdictions, including the United States and the United Kingdom, where it was implemented by the Cross-Border Insolvency Regulations. The Model Law provides for recognition of certain UK insolvency proceedings in other signatory states as either foreign main proceedings (if COMI of the relevant debtor is determined to be in the United Kingdom) or foreign non-main proceedings (if COMI is determined to be in another jurisdiction but the debtor has an establishment in the United Kingdom). The Cross-Border Insolvency Regulations only provide for recognition of proceedings under UK insolvency law, which in relation to England and Wales covers proceedings initiated under the Insolvency Act other than receivership proceedings and members' voluntary liquidations, and does not extend to restructuring processes governed by corporate law such as schemes of arrangement.

The recognition of English courts' jurisdiction and orders in respect of schemes of arrangement, which are restructuring rather than insolvency proceedings, will be subject to treaties regarding matters relating to the jurisdiction of courts in civil proceedings and the enforcement of civil judgments such as the Hague Convention on Choice of Court Agreements 2005 and the Lugano Convention 2007 (subject to the United Kingdom's pending accession to the latter) where these apply.

Recognition in the European Union

Following the United Kingdom's departure from the European Union and the expiry of the Transition Period, UK proceedings no longer benefit from automatic and guaranteed recognition in EU member states. As the trade and cooperation terms agreed between the European Union and the United Kingdom do not include a replacement regime for the current automatic recognition of UK insolvency procedures across the European Union (and vice versa) or otherwise address insolvency matters, cross-border insolvencies involving the United Kingdom and one or more EU member states will be subject to a degree of uncertainty and increased complexity.

Unless or until a mutual recognition agreement is reached in the future, it is likely to be more problematic for UK restructuring and insolvency proceedings to be recognized in EU member states and for UK office holders to effectively deal with assets located in EU member states. The general position outlined above will apply and recognition will depend on the private international law rules adopted in the relevant EU member state and the need may well arise to open parallel proceedings, increasing the element of risk as well as costs. In particular in cases where the appointment of a UK office holder is made in reliance on a UK domestic approach rather than COMI rules, it is much less certain that such appointment will be recognized in other EU member states.

As a consequence, the recognition of English insolvency and restructuring proceedings across the EU member states may be different from what investors may have experienced in the past when the United Kingdom was a member state of the European Union. It is not possible to predict with certainty if and to what extent proceedings will be recognized and whether investors may be adversely affected as a result.

United States

Under title 11 of the United States Code (the "**US Bankruptcy Code**") and/or comparable provisions of applicable state insolvency, fraudulent transfer, preferential transfer, or other similar creditor protection laws, under certain circumstances:

- the issuance of, pledge of collateral to secure, and/or payment on the Guarantees by Guarantors could be wholly or partially avoided as fraudulent or preferential transfers;

- claims by the Holders of the Notes against Guarantors under the Guarantees could be subordinated to some or all of such Guarantors' other debts and liabilities; and
- the Holders of the Notes could be required to repay any amounts received from Guarantors in connection with the enforcement of the Guarantees.

Federal and state insolvency proceedings

Certain entities organized under or otherwise subject to the laws of the United States or certain states thereof, including the State of Delaware (each, a "**US Provider**"), may be subject to federal bankruptcy proceedings under the US Bankruptcy Code or insolvency proceedings under other applicable state law. The US Bankruptcy Code provides a detailed statutory framework that, among other things, contains terms or provisions relating to: (i) the administration of a bankruptcy case, including the imposition of an automatic stay to enjoin most litigation, enforcement, and other actions against a debtor or its property, terms for the use, sale or lease of estate property, standards for obtaining post-petition credit, and the treatment of executory contracts and unexpired leases; (ii) the treatment of creditors and claims, including deadlines and requirements for filing proofs of claim, the priority and allowance of claims, subordination of claims, and the provision of "adequate protection" to secured creditors to protect against diminution in their collateral position; and (iii) the creation of the bankruptcy estate, including the scope of property of the estate and turnover and avoidance actions.

Proceedings under the US Bankruptcy Code vary. As a general matter, Chapter 7 of the US Bankruptcy Code provides for the orderly liquidation of the debtor's assets by a court-appointed trustee and typically results in the immediate shutdown of the debtor's business. Chapter 11 of the US Bankruptcy Code provides a debtor with more discretion in its pursuit of a reorganization or liquidation strategy and is available to debtors who seek to continue to operate their businesses as a going concern while they rehabilitate their businesses and work out their obligations to creditors or, alternatively, seek to liquidate in an orderly fashion, in each case pursuant to a plan of reorganization or liquidation, as applicable. Unlike in a Chapter 7 bankruptcy case, in a Chapter 11 bankruptcy case the debtor typically remains in possession of its assets and continues to operate its business during the course of the bankruptcy case, subject to the supervision of a US bankruptcy court, as a debtor-in-possession with substantially the rights that a trustee would otherwise have. Because bankruptcy proceedings tend to be fact specific and vary case by case, and because US bankruptcy courts are courts of equity with broad discretionary powers, a detailed summary of all of the provisions of the US Bankruptcy Code that could impact the Notes and/or the Guarantees is not contained herein. Furthermore, the common law applicable in bankruptcy proceedings may vary from jurisdiction to jurisdiction, and this summary is not intended to cover the common law that may apply in any particular jurisdiction.

With respect to proceedings under other applicable state insolvency laws (e.g., assignments for the benefit of creditors, receiverships or other state liquidation mechanisms), the effects of such proceedings are fact-specific, vary from state to state, and require an examination of both statutory and common law, the details of which also are not described herein. To the extent more information is required, potential investors in the Notes should consult an insolvency professional familiar with the US Bankruptcy Code and applicable state insolvency laws.

Delay and risks associated with a federal bankruptcy proceeding

If a bankruptcy proceeding were to be commenced under the US Bankruptcy Code by or against any US Provider, the enforcement of the Guarantees issued by such bankrupt US Provider would likely be subject to delays or impairment due to specific provisions of the US Bankruptcy Code or a US bankruptcy court applying general principles of equity. Provisions of the US Bankruptcy Code or general principles of equity that could result in the delay and/or impairment of rights of the Holders of the Notes include, but are not limited to:

- the automatic stay;
- the ability of a trustee or debtor-in-possession, or other parties granted standing by the bankruptcy court including a creditor or creditors, to commence actions to avoid transfers of interests in assets or incurrences of obligations as fraudulent or preferential transfers;
- potential substantive consolidation of the assets and liabilities of multiple entities, including the Issuer and one or more Guarantors;
- limitations on the collectability of unmatured interest on the Notes or attorneys' fees of counsel to Holders of the Notes; and

- a potential forced restructuring which would not pay the Notes in full in cash (and/or would reduce the interest rate or extend the maturity of the Notes) and could convert the Notes into equity or other forms of consideration, or potentially discharge the obligations without significant recovery, in each case over the objections of holders of the Notes.

As an initial matter, the commencement of a bankruptcy case operates as an automatic stay, applicable to most creditors, of most litigation against the debtor and efforts to collect prepetition claims, enforce existing liens or impose most new liens. The automatic stay is very broad, purporting to have worldwide effect, and the purpose of the stay is to provide the Chapter 11 debtor time to reorganize or the Chapter 7 trustee protection under which to liquidate in an orderly fashion the debtor's assets for the benefit of creditors, and to avoid a "race to the courthouse" by creditors. The automatic stay is also intended to shield a debtor from the pressures of creditor collection efforts. Among other things, the automatic stay generally prohibits (i) collection efforts by creditors, (ii) the enforcement of prepetition judgments against the debtor or property of the estate, (iii) any act to create, perfect or enforce a lien against property of the estate, (iv) the set-off of prepetition debts owing to the debtor against debts owing by the debtor, and (v) the commencement or continuation of most judicial, administrative or other proceedings against the debtor based upon a prepetition claim. The automatic stay ordinarily does not bar suits against non-debtor guarantors or co-obligors. The US Bankruptcy Code generally does not permit the payment or accrual of interest, costs and attorneys' fees for unsecured or "undersecured" claims.

Fraudulent transfer issues

Under the US Bankruptcy Code or comparable provisions of state fraudulent transfer laws, the issuance of the Guarantees (and pledge of any collateral to secure the Guarantees) by any US Provider could be avoided as an actual or constructively fraudulent transfer/incurrence of a debt if, among other things, at the time such US Provider issued the Guarantees, the applicable US Provider (i) intended to hinder, delay or defraud any present or future creditor of the US Provider; or (ii) (A) received less than reasonably equivalent value or fair consideration for the issuance of such Guarantees and (B):

- was insolvent or rendered insolvent by reason of such issuance;
- was engaged in a business or transaction for which the US Provider's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they became due.

The measures of insolvency for purposes of the foregoing considerations will vary depending upon the law applied in any proceeding with respect to the foregoing. Generally, however, a US Provider would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than all of its assets, at a fair valuation;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liabilities on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

However, there can be no assurance as to what standard a court may apply in making solvency determinations and different courts may reach different conclusions with regard to these issues. In an evidentiary ruling in the *In re W.R. Grace & Co*. bankruptcy case, the US Bankruptcy Court for the District of Delaware held that under the Uniform Fraudulent Transfer Act, whether a transferor is rendered insolvent by a transfer depends on the actual liabilities of the transferor and not what the transferor knows about such liabilities at the time of the transfer. Therefore, under that court's analysis, liabilities that are unknown, or that are known to exist but whose magnitude is not fully appreciated at the time of the transfer, may be taken into account in the context of a future determination of insolvency. If the principle articulated by that court is upheld, it would make it very difficult to know whether a transferor is solvent at the time of transfer and would increase the risk that a transfer may in the future be found to be a fraudulent transfer.

By their terms, the Guarantees of each US Provider will limit the liability of each such guarantor to the maximum amount it can pay without the Guarantee being deemed a fraudulent transfer. It is not assured, however, that this limitation will protect such guarantees from fraudulent transfer challenges or, if it does, that the remaining amount due and collectible under the guarantees would suffice, if necessary, to pay the

Notes in full when due. In at least one bankruptcy case, this kind of provision was found to be ineffective to protect the guarantees at issue. Pledges of collateral by a Guarantor in a favor of the Holders of the Notes to secure the debt incurred thereby might similarly be avoided as fraudulent transfers. In addition to the avoidance power that may be exercised in a US bankruptcy, claims in respect of liens or obligations evidenced by the Guarantees may, in certain circumstances, be subordinated under the equitable subordination provisions of the US Bankruptcy Code.

Preference issues

Under the US Bankruptcy Code, a future pledge of collateral by a Guarantor in favor of the Holders of the Notes might be avoidable as a preferential transfer by such Guarantor (as a debtor in possession in a Chapter 11 bankruptcy case) or by its bankruptcy court-appointed trustee if certain events or circumstances exist or occur, including, among others, if such Guarantor was insolvent at the time of the pledge, if the pledge permits holders of the Notes to receive a greater recovery than they would otherwise receive in a hypothetical Chapter 7 liquidation of such Guarantor had such pledge not taken place, and if a bankruptcy proceeding in respect of such Guarantor is commenced within 90 days (or in the case of an insider transaction, within one year) following the pledge.

US recognition of foreign court judgments

Judgments of foreign courts are not automatically enforceable in federal or state courts of the United States. With respect to foreign money judgments, recognition and enforceability will be governed by applicable state law. A majority of US states have adopted a version of the Uniform Foreign Money Judgments Recognition Act (or a later revision thereof) (the "**US Uniform Act**"). Although variations exist among states, the US Uniform Act generally applies to any judgment granting or denying recovery of a sum of money rendered in a foreign jurisdiction (excluding judgments for taxes, fines, penalties and a judgment for support in matrimonial or family matters), so long as the judgment is final, conclusive and enforceable in the jurisdiction where rendered. Pursuant to the US Uniform Act, any such foreign judgment rendered by a court having proper personal and subject matter jurisdiction would, subject to considerations of public policy, be recognized and enforced by a United States state court that has adopted the US Uniform Act (or a federal court sitting in such a state) and that also has appropriate personal and subject matter jurisdiction without re-examination of the merits of the case pursuant to which such foreign judgment was obtained and in the same manner as the judgment of a sister state that is entitled to full faith and credit, in an appropriate proceeding in accordance with the procedures of such court, provided that (i) the judgment debtor had received proper and sufficient notice of the subject proceedings in sufficient time to defend itself in such proceedings, (ii) the judgment was not obtained by fraud; (iii) the judgment was not rendered under a system which does not provide impartial tribunals or procedures compatible with the requirements of due process of law; (iv) the cause of action on which the judgment is based is not repugnant to the public policy of the state in which the judgment creditor is seeking recognition; (v) the proceedings in the foreign court were not contrary to an agreement between the parties under which the dispute in question was to be settled otherwise than by proceedings in that court; (vi) the foreign court was not a seriously inconvenient forum for the trial of the action if jurisdiction over the judgment debtor was based only on personal service; and (vii) the judgment did not conflict with another final and conclusive judgment. In addition to the foregoing, a number of states adopting the US Uniform Act also require that the foreign court rendering the judgment reside in a jurisdiction that will reciprocally enforce judgments of United States courts. In states that have not adopted the US Uniform Act, principles of comity will apply. The Uniform Act represents an attempt to codify general principles of comity and should therefore be generally indicative of the types of principles that non-US Uniform Law states would apply in determining whether to recognize a foreign judgment against the US Providers.

TAXATION

Certain German Tax Considerations

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of the Additional Notes. It does not purport to be a comprehensive description of all German tax considerations that may be relevant to a decision to purchase the Additional Notes, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the tax laws of Germany currently in force and as applied on the date of this offering memorandum, which are subject to change, possibly with retroactive or retrospective effect.

The law as currently in effect provides for a flat tax rate (flat tax regime; Abgeltungsteuer) for certain investment income and, in particular, interest income. There is an ongoing discussion in Germany whether the reduced tax rate should be increased or abolished so that investment income would be taxed at higher rates. It is still unclear whether, how and when the current discussion may result in any legislative changes.

Prospective holders of the Additional Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposal of the Additional Notes, including the effect of any state, local or church taxes, under the tax laws of Germany and any country of which they are resident or whose tax laws apply to them for other reasons.

Withholding Tax

Ongoing payments, such as interest payments, received by an individual holder of the Additional Notes will be subject to German withholding tax (*Kapitalertragsteuer*) if the Additional Notes are kept or administered in a custodial account with (a) a German branch of a German or non-German credit or financial services institution, (b) with a German securities trading business or a German securities trading bank or (c)—if no German credit or financial services institution is the Disbursing Agent—the Issuer (each, a "**Disbursing Agent**," *auszahlende Stelle*). The withholding tax rate is 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%). If the individual holder is subject to church tax, a church tax surcharge will also be withheld. The church tax surcharge is automatically withheld by the Disbursing Agent, unless the holder notifies the Federal Central Tax Office (*Bundeszentralamt für Steuern*) that it objects to automatic withholding. In this case, the holder will be assessed to church tax (if applicable).

The same treatment applies to capital gains (*i.e.,* the difference between the proceeds from the disposal, redemption, repayment or assignment after deduction of expenses directly related to the disposal, redemption, repayment or assignment and the cost of acquisition) and interest accrued on the Additional Notes ("**Accrued Interest**," *Stückzinsen*) derived by an individual holder irrespective of any holding period provided the Additional Notes have been kept or administered in a custodial account with the same Disbursing Agent since the time of their acquisition. If Additional Notes kept or administered in the same custodial account were acquired at different points in time, the Additional Notes first acquired will be deemed to have been sold first for the purposes of determining any capital gains. The separation of interest claims from the Additional Notes is treated as disposal of the Additional Notes at their fair market value which has to be apportioned to the capital and the interest coupons. If interest claims or interest coupons are disposed of separately (*i.e.,* without the Additional Notes), the proceeds from the disposal are subject to withholding tax. The same applies to proceeds from the redemption or collection of interest claims or interest coupons if the Additional Notes have been disposed of separately.

To the extent that the Additional Notes have not been kept or administered in a custodial account with the same Disbursing Agent since the time of their acquisition, upon the disposal, redemption, repayment or assignment withholding tax applies at a rate of 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%, plus church tax, if applicable) on 30% of the disposal proceeds (including Accrued Interest if any), unless the current Disbursing Agent has been provided with evidence of the actual acquisition costs of the Additional Notes by the previous Disbursing Agent or by a statement of a bank or financial services institution within the European Union, the European Economic Area or certain other countries, *e.g.*, Switzerland.

In computing any German withholding tax, the Disbursing Agent may generally deduct from the basis of the withholding tax negative investment income realized by the individual holder of the Additional Notes via the Disbursing Agent (*e.g.*, losses from the sale of other capital investments with the exception of shares). The Disbursing Agent may also deduct Accrued Interest on the Additional Notes or other securities paid separately upon the acquisition of the respective security via the Disbursing Agent. In addition, subject to certain requirements and restrictions, the Disbursing Agent may credit foreign withholding taxes levied on investment income in a given year regarding securities held by the individual holder in the custodial account with the Disbursing Agent.

Upon the individual holder filing an exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, the Disbursing Agent will take a maximum annual allowance (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly) into account when computing the amount of tax to be withheld from the gross payment to be made by the Disbursing Agent. No withholding tax will be deducted if the holder of the Additional Notes has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent tax office.

German withholding tax will generally not apply to gains from the disposal, redemption, repayment or assignment of Additional Notes held by a corporate holder who is a German tax resident (including via a commercial partnership, as the case may be, and provided that in the case of corporations of certain legal forms the status of corporation has been evidenced by a certificate of the competent tax office) while ongoing payments, such as interest payments, are generally subject to withholding tax (irrespective of any deductions of foreign tax and losses incurred). The same applies where the Additional Notes form part of a German trade or business (of an individual or a commercial partnership) subject to further requirements being met.

Interest and capital gains on the Additional Notes received by non-residents of Germany are, in general, not subject to German withholding tax or the solidarity surcharge thereon. However, where the interest or capital gain is subject to German taxation (as set forth under "— *Taxation of Current Income and Capital Gains— Non Tax Residents*") and the Additional Notes are held in a custodial account with a Disbursing Agent, withholding tax will be levied under certain circumstances. The withholding tax may be refunded based on an assessment to tax or under an applicable double taxation treaty (*Doppelbesteuerungsabkommen*).

Taxation of Current Income and Capital Gains

Tax Residents

This subsection "— *Tax Residents*" refers to persons who are tax residents of Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, or place of effective management is located in Germany).

Income (*i.e.*, interest and capital gains) derived under the Additional Notes held by an individual holder who is tax resident in Germany, irrespective of any holding period, is in general subject to German income tax at a flat tax rate of 25% (plus solidarity surcharge and church tax, if applicable, thereon) (*Abgeltungsteuer*) if the Additional Notes are held as private investment (*Privatvermögen*). Individual holders who are tax resident in Germany are entitled to a maximum annual allowance (*Sparer—Pauschbetrag*) of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly), whereby actually incurred higher expenses directly attributable to a capital investment are not deductible.

The personal income tax liability of an individual holder who is a tax resident in Germany on income from capital investments under the Additional Notes will, in principle, be satisfied by the tax withheld. To the extent withholding tax has not been levied, such as in the case no Disbursing Agent being involved in the payment process, the individual holder must include his or her income and capital gains derived from the Additional Notes in his or her tax return and will then also be taxed at a rate of 25% (plus solidarity surcharge and, where applicable, church tax thereon). If the withholding tax on a disposal, redemption, repayment or assignment has been calculated from 30% of the disposal proceeds (rather than from the actual gain), an individual holder may, and in case the actual gain is higher than 30% of the disposal proceeds, must apply for an assessment on the basis of his or her actual acquisition costs. Further, an individual holder may apply for a tax assessment on the basis of general rules applicable to him or her if the resulting individual income tax burden is lower than 25% with any amounts of German tax over-withheld being refunded. The deduction of expenses (other than transaction costs) on an itemized basis is not permitted. Losses incurred with respect to the Additional Notes may only be offset with investment income of the individual holder realized in the same or following assessment periods, in some cases subject to certain limitations.

Capital losses from the disposal, redemption, repayment or assignment of the Additional Notes held as private assets should generally be tax-recognized irrespective of the holding period of the Additional Notes. The losses may, however, not be used to offset other income like employment or business income but may only be offset against investment income subject to certain limitations. Losses not utilized in one year may be carried forward into subsequent years but may not be carried back into preceding years. However, if the losses result from the full or partial non-recoverability of the repayment claim under the Additional Notes including a default of the Issuer or a (voluntary) waiver, such losses together with other losses of such kind of the same year and loss-carry forwards of previous years can only be offset up to an amount of EUR 20,000 ("**Limitation on Loss Deduction**"). Any exceeding loss amount can be carried forward and offset against future investment income, but again subject to the EUR 20,000 limitation. Pursuant to the legislative reasoning, a non-recoverability shall also be assumed if, based on the overall assessment of the facts and circumstances, it becomes apparent that the Issuer will not redeem the Additional Notes in full, e.g. because the solvency risk has already materialized. Given that the Limitation on Loss Deduction will not be applied by the German Disbursing Agent (as defined above) holding the Additional Notes in custody, holders suffering losses which are subject to the Limitation on Loss Deduction are required to declare such losses in their income tax return. Where Additional Notes form part of a trade or business of an individual or corporate holder or where the income from the Additional Notes qualifies as income from the letting and leasing of property, the withholding tax, if any, will not satisfy the personal or corporate income tax liability. Rather, the income is subject to individual or corporate income tax (plus solidarity surcharge and, where applicable, church tax thereon). Where Additional Notes form part of a trade or business, interest (including Accrued Interest) and capital gains must be taken into account as income. The respective holder will have to include income and related (business) expenses in the tax return and the balance will be taxed at the holder's applicable tax rate. Withholding tax levied, if any, will be credited as advance payment against the personal or corporate income tax liability of the holder or, to the extent exceeding this personal or corporate income tax liability, will be refunded. Where Additional Notes form part of a German trade or business the current income and capital gains from the disposal, redemption, repayment or assignment of the Additional Notes may also be subject to German trade tax (*Gewerbesteuer*). The trade tax liability depends on the municipal trade tax factor (*Gewerbesteuerhebesatz*). If the holder is an individual or an individual partner of a partnership, the trade tax may be completely or partly credited against the personal income tax pursuant to a lump sum tax credit method.

Non Tax Residents

This subsection "— *Non Tax Residents*" refers to persons who are not tax residents of Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, and place of effective management is not located in Germany).

Interest, including accrued interest, and capital gains (which include currency gains and losses, if any) from the disposal, redemption, repayment or assignment of the Additional Notes received by holders who are not tax resident in Germany are generally not subject to German taxation, unless (i) the Additional Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the holder or (ii) the income otherwise constitutes German source income. Furthermore, the holders who are not tax resident in Germany may become subject to German withholding tax in case they receive the proceeds by way of an over-the-counter payment by a German Disbursing Agent and the Additional Notes are not held in custody with the same German Disbursing Agent. To the extent the German source income is subject to German withholding tax, this withholding tax is, in general final and the German tax liability is satisfied by the tax withheld. Where the German source income is not subject to German withholding tax or in case (i) of this paragraph (*i.e.*, if Additional Notes form part of the business property of a German permanent establishment), a tax regime similar to that explained above under "— *Tax Residents*" applies. Subject to certain requirements, a holder who is not tax resident in Germany may benefit from tax reductions or tax exemptions provided by an applicable double taxation treaty (*Doppelbesteuerungsabkommen*) and German tax law.

Bond Premium

If the Additional Notes are held as private investment (*Privatvermögen*) and if a German holder purchases an Additional Note for an amount that is greater than the principal amount of the Additional Note, the bond premium is part of the acquisition costs which are deducted from the proceeds upon the disposal, redemption, repayment or assignment of the Additional Note.

According to a circular issued by the Regional Tax Authority Frankfurt dated February 5, 2019, German holders, holding the Additional Notes as their trade or business assets (*Betriebsvermögen*) could be obliged to create a deferred item (*Rechnungsabgrenzungsposten*) in the amount of the bond premium which is to be dissolved linearly over the term of the relevant Additional Note. Moreover, under certain circumstances, the German holder may amortize (wholly or partly) a bond premium before disposal, redemption, repayment or assignment of the Additional Notes.

Inheritance and Gift Tax

A gratuitous transfer of Additional Notes by reason of death or as a gift will be subject to German inheritance or gift tax if the decedent or donor or the heir, donee or other beneficiary is at the time of the transfer a resident or deemed to be a resident of Germany or in certain cases for German citizens who previously maintained a residence in 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 if the Additional Notes qualify as fungible notes representing the same issue (*Teilschuldverschreibung*) unless the Additional Notes are attributable to a German trade or business for which a permanent establishment or fixed base is maintained or a permanent representative has been appointed in Germany.

Abolishment of Solidarity Surcharge

The solidarity surcharge has been partially abolished as of the assessment period 2021 for certain individuals. The solidarity surcharge shall, however, continue to apply for capital investment and, thus, on withholding taxes levied. In case the individual income tax burden for an individual holder is lower than 25% the holder can apply for his/her capital investment income being assessed at his/her individual tariff-based income tax rate in which case solidarity surcharge would be refunded.

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 Additional Notes (for the avoidance of doubt, except for any notarial fees). However, under certain conditions, entrepreneurs (for VAT purposes) may opt for a liability to value added tax with regard to the sale of Additional Notes which would otherwise be tax exempt. Currently, net assets tax (*Vermögensteuer*) is not levied in Germany.

The Proposed Financial Transaction Tax (FTT)

The European Commission has published a proposal for a Directive for a common financial transactions tax ("***FTT***") in certain EU Member States. The Commission proposal is currently subject to review. The proposed FTT has a very broad scope and could, if introduced in the form of the proposal, apply to certain dealings in the Additional Notes (including secondary market transactions) in certain circumstances.

However, it is still unclear if and when the FTT will be implemented and what the exact scope will be. Subject to the final scope of any FTT, holders of the Additional Notes could be exposed to higher transaction fees. Besides the proposed FTT, some jurisdictions (*e.g.*, Italy and France) have already introduced a domestic financial transaction tax that may apply to certain dealings in the Securities in certain circumstances. Other jurisdictions may also introduce a domestic financial transaction tax.

Prospective holders of the Additional Notes are advised to seek their own professional advice in relation to the FTT and domestic financial transaction taxes.

International Exchange of Information

Based on the "OECD Common Reporting Standard" states, which have committed themselves to apply the OECD Common reporting Standards (participating states), exchange information with respect to financial accounts held per person in another participating state. The same applies to EU Member States. Based on the extended Mutual Assistance Directive 2011/16/EC (amended by Directive 2014/107/EC) EU Member States exchange information with respect to certain reporting accounts of persons domiciled in another EU Member State. Prospective investors of the Additional Notes are advised to seek their own professional advice on further development.

CERTAIN US FEDERAL INCOME TAX CONSIDERATIONS

The following is a discussion of certain US federal income tax considerations related to the purchase, ownership and disposition of the Additional Notes, but does not purport to be a complete analysis of all potential tax effects. This discussion is limited to consequences relevant to a US holder (as defined below) except for the discussion of FATCA (as defined under "— *Foreign Account Tax Compliance Act*"), and does not address the effects of any US federal tax laws other than US federal income tax laws (such as estate and gift tax laws) or any state, local or non-US tax laws. This discussion is based upon the US Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury regulations issued thereunder (the "**Treasury Regulations**"), and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. No rulings from the US Internal Revenue Service (the "**IRS**") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Additional Notes or that any such position would not be sustained.

This discussion does not address all of the US federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances, including the impact of the unearned income Medicare contribution tax, or to holders subject to special rules, such as certain financial institutions, US expatriates, insurance companies, individual retirement accounts, dealers in securities or currencies, traders in securities, US holders whose functional currency is not the US dollar, tax-exempt entities, regulated investment companies, real estate investment trusts, partnerships or other pass through entities and investors in such entities, persons liable for alternative minimum tax, US holders that are resident in or have a permanent establishment in a jurisdiction outside the United States, persons holding the Additional Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction, entities covered by the anti-inversion rules, and persons subject to special tax accounting rules as a result of any item of gross income with respect to the Additional Notes being taken into account in an applicable financial statement. In addition, this discussion is limited to persons who purchase the Additional Notes in the Offering hereby at the price indicated on the cover page, and who hold the Additional Notes as capital assets within the meaning of Section 1221 of the Code (generally for investment).

For purposes of this discussion, a "**US holder**" is a beneficial owner of an Additional Note that is, for US federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation for US federal income tax purposes created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) any estate the income of which is subject to US federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a US person.

If any entity or arrangement treated as a partnership for US federal income tax purposes holds the Additional Notes, the US tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership considering an investment in the Additional Notes, and partners in such a partnership, should consult their tax advisors regarding the US federal income tax consequences of the purchase, ownership and disposition of the Additional Notes.

Prospective purchasers of the Additional Notes should consult their tax advisors concerning the tax consequences of holding Additional Notes in light of their particular circumstances, including the application of the US federal income tax considerations discussed below, as well as the application of other federal, state, local, foreign or other tax laws.

Characterization of the Additional Notes

Under certain circumstances, as described under"*Description of the Notes—Withholding Taxes*" and "*Description of the Notes—Change of Control*," the Issuer may be obligated to make certain payments on the Additional Notes in excess of stated principal and interest or purchase all or a portion of the Additional Notes before the maturity date. The Issuer believes that the Additional Notes should not be treated as contingent payment debt instruments. There is no assurance that the IRS will agree with our position. If the IRS successfully challenged our position, the Additional Notes and the Original Notes may not be fungible for U.S. federal income tax purposes. In addition U.S. holders could be required to accrue original issue discount or interest income on the Additional Notes at a rate different from their yield to maturity and to treat as ordinary income, rather than capital gain, any gain recognized on a sale, exchange, retirement, redemption or other taxable disposition of an Additional Note. The balance of this discussion assumes that the Additional

Notes are not considered contingent payment debt instruments. US holders are urged to consult their own tax advisors regarding the potential application to the Additional Notes of the contingent payment debt instrument rules and the consequences thereof.

Amortizable Bond Premium

Generally, if a US holder purchases an Additional Note for an amount that exceeds the amount payable at maturity of the Additional Note (other than payments of stated interest), such US holder may elect to amortize such excess (referred to as "amortizable bond premium") under the constant yield method over the period from the US holder's acquisition date to the Additional Note's maturity date or the applicable call date. Amortizable bond premium should generally be treated as a reduction of interest on the Additional Note, as applicable instead of as a deduction. Amortizable bond premium will be computed in euro. A US holder making the election to amortize bond premium may recognize exchange gain or loss each period equal to the difference between the US dollar value of bond premium with respect to such period determined on the date the interest attributable to such period is received and the US dollar value of such amortized bond premium determined on the date of the acquisition of the Additional Notes.

The Additional Notes are subject to call provisions at our option at various times. A US holder generally will calculate the amount of amortizable bond premium based on the amount payable at the applicable call date, but only if use of the call date (in lieu of the stated maturity date) results in a smaller amortizable bond premium for the period ending on the call date. In the event that the Issuer does not exercise its call rights on such call date, the Additional Note generally should be treated as reissued on the call date for the call price, and the US holder will recalculate the amount of any amortizable bond premium on such Additional Note pursuant to the principles described above. The foregoing rules may eliminate, reduce or defer any amortization deductions. A US holder that elects to amortize bond premium must reduce its tax basis in the Additional Note by the amount of the amortized bond premium used to offset stated interest income as set forth above. Any election to amortize bond premium applies to all bonds (other than bonds the interest on which is excludible from gross income) held by the US holder during the first taxable year to which the election applies or thereafter acquired by the US holder. The election may not be revoked without the consent of the IRS. US holders should consult their own tax advisors as to the applicability of the amortizable bond premium rules to their purchase of the Additional Notes, including the effect of the early call option rules noted above.

Payments of Stated Interest

Payments of stated interest on the Additional Notes (including any additional amounts paid with respect to withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a US holder as ordinary income at the time that such payments are received or accrued, in accordance with such US holder's method of accounting for US federal income tax purposes.

A US holder that uses the cash method of accounting for US federal income tax purposes and that receives a payment of stated interest on the Additional Notes will be required to include in income (as ordinary income) the US dollar value of the euro interest payment (translated at the spot rate of exchange on the date such payment is received) regardless of whether the payment is in fact converted to US dollars at such time. A cash method US holder will not recognize foreign currency exchange gain or loss with respect to the receipt of such interest, but may recognize exchange gain or loss attributable to the actual disposition of the euro so received.

A US holder that uses the accrual method of accounting for US federal income tax purposes (or who otherwise is required to accrue interest prior to receipt) will be required to include in income (as ordinary income) the US dollar value of the amount of stated interest income in euro that has accrued with respect to its Additional Notes during an accrual period. The US dollar value of such euro denominated accrued interest will be determined by translating such amount at the average spot rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate of exchange for the partial period within each taxable year. An accrual basis US holder may elect, however, to translate such accrued interest income into US dollars at the spot rate of exchange on the last day of the interest accrual period or, with respect to an accrual period that spans two taxable years, at the spot rate of exchange on the last day of the taxable year. Alternatively, if the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a US holder that has made the election described in the prior sentence may translate such interest at the spot rate of exchange on the date of receipt of the interest. The above election will apply to other debt instruments held by an electing US holder and may not be changed without the consent of the IRS. A US holder that uses the accrual method of accounting for US federal income tax purposes will recognize exchange gain or loss with respect to accrued interest income on the date such interest is received. The amount of exchange gain or loss recognized will equal the difference, if any, between the US dollar value of the euro payment received (translated at the spot rate of exchange on the date such interest is received) with respect to such accrual period and the US dollar value of the interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to US dollars at such time. Any such exchange gain or loss generally will constitute ordinary income or loss and be treated, for foreign tax credit purposes, as US source income or loss, and generally not as an adjustment to interest income or expense.

Foreign Tax Credit

Stated interest income on an Additional Note generally will constitute foreign source income and generally will be considered "passive category income" in computing the foreign tax credit allowable to US holders under US federal income tax laws. Any non-US withholding tax paid by or on behalf of a US holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for US federal income tax purposes, subject to applicable limitations (including holding period and at risk rules). There are significant complex limitations on a US holder's ability to claim foreign tax credits. US holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes.

Sale, Exchange, Retirement, Redemption or Other Taxable Disposition of Additional Notes

Upon the sale, exchange, retirement, redemption or other taxable disposition of an Additional Note, a US holder generally will recognize gain or loss equal to the difference, if any, between the amount realized upon such disposition (less any amount equal to any accrued but unpaid stated interest, which will be taxable as interest income as discussed above to the extent not previously included in income by the US holder) and such US holder's adjusted tax basis in the Additional Note.

A US holder's adjusted tax basis in an Additional Note will, in general, be the cost of such Additional Note to such US holder decreased by the amount of amortizable bond premium amortized by such US holder with respect to such Additional Note, if any. The cost of an Additional Note purchased with foreign currency will generally be the US dollar value of the foreign currency purchase price translated at the spot rate on the date of purchase. If the applicable Additional Note is treated as traded on an established securities market and the relevant US holder is either a cash basis taxpayer or an accrual basis taxpayer who has made the special election described below, such US holder will determine the US dollar value of the cost of such Additional Note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

If a US holder receives foreign currency on such a sale, exchange, retirement, redemption or other taxable disposition of an Additional Note, the amount realized generally will be based on the US dollar value of such foreign currency translated at the spot rate of exchange on the date of disposition. In the case of a Note that is considered to be traded on an established securities market, a cash basis US holder and, if it so elects, an accrual basis US holder, will determine the US dollar value of such foreign currency by translating such amount at the spot rate of exchange on the settlement date of the disposition. The special election available to accrual basis US holders in regard to the purchase or disposition of Additional Notes traded on an established securities market must be applied consistently to all debt instruments held by the US holder and cannot be changed without the consent of the IRS. An accrual basis US holder that does not make the special election will recognize foreign currency exchange gain or loss to the extent that there are exchange rate fluctuations between the disposition date and the settlement date, and such gain or loss generally will constitute US source ordinary income or loss.

Gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of an Additional Note that is attributable to fluctuations in currency exchange rates with respect to the principal amount of such Additional Note generally will be US source ordinary income or loss and generally will not be treated as interest income or expense. Such gain or loss generally will equal the difference, if any, between the US dollar value of the US holder's foreign currency purchase price for the Additional Note decreased by any amortizable bond premium amortized by the US holder with respect to the Additional Note, translated at the spot rate of exchange on the date principal is received from the Issuer or the US holder disposes of the Additional Note, and the US dollar value of the US holder's foreign currency purchase price for the Additional Note, decreased by any amortizable bond premium previously amortized by the US holder with respect to the Additional Note, translated at the spot rate of exchange on the date the US holder purchased such Note. In addition, upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a US holder may recognize foreign currency exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest, which will be treated as discussed above under "— *Payments of Stated Interest*". However, upon a sale, exchange, retirement, redemption or other taxable disposition of an Additional Note, a

US holder will recognize any foreign currency exchange gain or loss only to the extent of total gain or loss realized by such US holder on such disposition.

Any gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition an Additional Note in excess of foreign currency exchange gain or loss attributable to such disposition generally will be US source gain or loss and generally will be capital gain or loss. Capital gains of non-corporate US holders (including individuals) derived with respect to capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

US holders should consult their tax advisors regarding how to account for payments made in a foreign currency with respect to the acquisition, sale, exchange, retirement or other taxable disposition of an Additional Note and the foreign currency received upon a sale, exchange, retirement or other taxable disposition an Additional Note.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to payments of stated interest on the Additional Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of an Additional Note paid to a US holder unless such US holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the US holder fails to provide a correct taxpayer identification number or a certification that it is not subject to backup withholding, or otherwise fails to comply with the applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a US holder's US federal income tax liability provided the required information is timely furnished to the IRS.

Tax Return Disclosure Requirements

Treasury Regulations require the reporting to the IRS of certain foreign currency transactions giving rise to losses in excess of a certain minimum amount, such as the receipt or accrual of interest on or a sale, exchange, retirement, redemption or other taxable disposition of a foreign currency note or foreign currency received with respect to a foreign currency note. US holders should consult their tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Additional Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

US holders who are individuals and who own "specified foreign financial assets" with an aggregate value in excess of certain minimum thresholds at any time during the tax year generally are required to file an information report (IRS Form 8938) with respect to such assets with their tax returns. If a US holder does not file a required IRS Form 8938, such holder may be subject to substantial penalties and the statute of limitations on the assessment and collection of all US federal income taxes of such holder for the related tax year may not close before the date which is three years after the date on which such report is filed. The Additional Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Additional Notes are held in an account at certain financial institutions. Under certain circumstances, an entity may be treated as an individual for purposes of these rules.

US holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership of the Additional Notes, including the significant penalties for non-compliance.

Possible Application of US Conduit Financing Principle

Although not free from doubt, the Issuer intends to take the position that payments of interest on the Additional Notes should be treated as from sources outside the United States for US federal income tax purposes. Accordingly, a beneficial owner of an Additional Note that is neither a US holder nor a partnership for US federal income tax purposes (a "non-US holder") should not be subject to U.S. federal withholding tax with respect to the Additional Notes. However, because, a substantial portion of the net proceeds of this Offering is expected to be directly or indirectly on-lent by the Issuer to a US subsidiary and used in the United States to fund the Acquisition, the IRS may successfully assert that there is a potential tax avoidance plan and that all or a portion of any payment of interest on the Additional Notes should be treated as from sources within the United States for US federal income tax purposes. In that case, a non-US holder may be subject to US federal withholding tax at a rate of 30% (or a lower treaty rate) with respect to interest payments on the Additional Notes unless certain certification requirements have been fulfilled (such as providing applicable

IRS W-8 Forms), and the Additional Notes will not be fungible with the Original Notes for US federal income tax purposes. We have not sought and will not seek any rulings from the IRS with respect to the tax treatment of the Additional Notes and there can be no assurance the IRS or a court will not take a contrary position concerning the tax treatment described in this paragraph.

In that connection, each holder and beneficial owner of the Additional Notes that acquires its Additional Notes pursuant to this Offering, by its purchase and acceptance of such Notes, will be deemed to have acknowledged, represented to and agreed with the Issuer and the Initial Purchaser as follows:

(i) if such holder or beneficial owner is not a United States person as defined in Section 7701(a)(30) of the Code, (i) such holder or beneficial owner qualifies for an exemption from US federal withholding tax with respect to payments of interest pursuant to an applicable income tax treaty to which the United States is a party; or (ii)(x) such holder or beneficial owner does not, actually or constructively, own 10% or more of the Issuer's voting stock within the meaning of Section 871(h)(3) of the Code; (y) such holder or beneficial owner is not a controlled foreign corporation related to the Issuer through actual or constructive stock ownership for US federal income tax purposes; and (z) such holder or beneficial owner is not a bank;

(ii) such holder or beneficial owner (and any intermediary through which such holder or beneficial owner holds the Additional Notes) qualifies for an exemption from any taxes imposed under the US Foreign Account Tax Compliance Act (which shall, for this purpose, refer to any taxes imposed under Sections 1471 through 1474 of the Code (and any amended or successor version), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code, or any law or regulation implementing an intergovernmental agreement between a non-US jurisdiction and the United States with respect to the foregoing); and

(iii) such holder or beneficial owner is able to provide any required US tax documentation to certify to the foregoing representations or to such holder's or beneficial owner's status as a United States person as defined in Section 7701(a)(30) of the Code upon reasonable request by the Issuer or an applicable withholding agent.

Non-US holders should consult their tax advisors regarding the possible US federal income tax consequences of an investment in the Additional Notes.

Foreign Account Tax Compliance Act

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "**FATCA**") and subject to the proposed regulations discussed below, a "foreign financial institution" may be required to withhold US tax on certain "foreign passthru payments" to the extent such payments are treated as attributable to certain US source payments. Obligations issued on or prior to the date that is six months after applicable final regulations defining foreign passthru payments are published in the Federal Register generally would be "grandfathered" unless materially modified after such date. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA could apply to payments on the Additional Notes only if there is a significant modification of the Additional Notes for US federal income tax purposes after the expiration of this grandfathering period. Under proposed regulations, any withholding on foreign passthru payments on the Additional Notes that are not otherwise grandfathered would apply to passthru payments made on or after the date that is two years after the date of publication in the Federal Register of applicable final regulations defining foreign passthru payments. Taxpayers generally may rely on these proposed regulations until final regulations are issued. No such final regulations defining foreign passthru payments have been issued as of the date hereof. Non-US governments including Germany have entered into agreements with the United States (and additional non-US governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors on how these rules may apply to their investment in the Additional Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Additional Notes, there will be no additional amounts payable to compensate for the withheld amount.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE ADDITIONAL NOTES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

CERTAIN ERISA CONSIDERATIONS

This disclosure was written in connection with the promotion and marketing of the Notes by the Issuer and the Initial Purchaser, and it cannot be used by any holder for the purpose of avoiding penalties that may be asserted against the holder under the Code. Prospective purchasers of the Notes should consult their own tax advisors with respect to the application of the US federal income tax laws to their particular situations.

The following is a summary of certain considerations associated with the purchase and holding of the Notes (or any interest therein) by employee benefit plans that are subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code, and entities whose underlying assets are considered to include "plan assets" of such employee benefit plans, plans, accounts or arrangements (within the meaning of regulations promulgated under ERISA by the US Department of Labor at 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA) (each, an "**ERISA Plan**"). Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-US plans (as described in Section 4(b)(4) of ERISA) are not subject to the requirements of ERISA or Section 4975 of the Code; however, such plans may be subject to non-US, federal, state, or local laws or regulations that are substantially similar to Section 406 of ERISA or Section 4975 of the Code ("**Similar Laws**") or which otherwise affect their ability to invest in the Notes. Any fiduciary of such a governmental, church or non-US plan (together with ERISA Plans, "**Plans**") considering an investment in the Notes should determine the need for, and, if necessary, the availability of, any exemptive relief under such laws or regulations.

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of an ERISA Plan and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation with respect to the assets of such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the Notes of a portion of the assets of any Plan, a Plan fiduciary should consult with its counsel in order to determine the suitability of the Notes for such Plan, including whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Laws relating to a fiduciary's duties to the Plan and the need for, and the availability, if necessary, of any exemptive relief under any such laws or regulations. In addition, a fiduciary of a Plan should consult with its counsel in order to determine if the investment satisfies the fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

Each ERISA Plan should consider the fact that none of the Issuer, the Guarantors, the Initial Purchaser, and the Trustee and their respective affiliates (collectively, the "**Transaction Parties**") is undertaking to act, or will undertake to act, as a fiduciary to any ERISA Plan with respect to the decision to purchase or hold the Notes. The Transaction Parties are not undertaking to provide investment advice or advice based on any particular investment need, or to give advice in a fiduciary capacity, with respect to the decision to purchase or hold the Notes. All communications, correspondence and materials from the Transaction Parties with respect to the Notes are intended to be general in nature and are not directed at any specific purchaser of the Notes, and do not constitute advice regarding the advisability of investment in the Notes for any specific purchaser. The decision to purchase and hold the Notes must be made solely by each prospective ERISA Plan purchaser on an arm's length basis.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are "parties in interest," within the meaning of ERISA, or "disqualified persons," within the meaning of Section 4975 of the Code, unless a statutory or administrative exemption is applicable to the transaction. Such "prohibited transactions" include, without limitation, (1) a direct or indirect extension of credit to a party in interest or to a disqualified person, (2) the sale or exchange of any property between an ERISA Plan and a party in interest or a disqualified person, or (3) the transfer to, or use by or for the benefit of, a party in interest or a disqualified person, of any plan assets.

A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the ERISA Plan that engages in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. The acquisition, holding and/or disposition of Notes by an ERISA Plan with respect to which any Transaction Party is considered a party in interest or disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, certain exemptions from the prohibited transaction rules could be applicable to the purchase and holding of the Notes by an ERISA Plan, depending on the type and circumstances of the fiduciary making the decision to acquire such Notes and the relationship of the party in interest or disqualified person to the ERISA Plan. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for certain transactions between an ERISA Plan and non-fiduciary service providers to the ERISA Plan. In addition, the United States Department of Labor has issued prohibited transaction class exemptions ("**PTCEs**") that may apply to the acquisition and holding of the Notes. These class exemptions (as may be amended from time to time) include, without limitation, PTCE 84-14 (respecting transactions effected by independent "qualified professional asset managers"), PTCE 90-1 (respecting insurance company pooled separate accounts), PTCE 91-38 (respecting bank collective investment funds), PTCE 95-60 (respecting life insurance company general accounts) and PTCE 96-23 (respecting transactions directed by in-house asset managers).

Each of these PTCEs contains conditions and limitations on its application. Thus, the fiduciary of an ERISA Plan that is considering acquiring and/or holding the Notes in reliance of any of these, or any other, PTCEs should carefully review the conditions and limitations of the PTCE and consult with their counsel to confirm that it is applicable. There can be no, and the Issuer does not provide any, assurance that any PTCE or any other exemption will be available with respect to any particular transaction involving the Notes.

Governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-US plans (as described in Section 4(b)(4) of ERISA), while not subject to the fiduciary responsibility provisions of Title I of ERISA or the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code, may nevertheless be subject to Similar Laws. Fiduciaries of any such plans should consult with their counsel before purchasing the Notes to determine the need for, if necessary, and the availability of, any exemptive relief under any Similar Laws.

Because of the foregoing, the Notes (and any interest therein) should not be purchased or held by any person investing the assets of any Plan, unless such acquisition, holding and subsequent disposition will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of any Similar Laws.

The foregoing discussion is necessarily general in nature, is not intended to be all-inclusive, and should not be construed as legal advice or a legal opinion. Further, no assurance can be given that future legislation, administrative rulings, court decisions or regulatory action will not modify the conclusions set forth in this discussion. Any such changes may be retroactive and thereby apply to transactions entered into prior to the date of their enactment or release. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the Notes (and holding the Notes) on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such transactions and whether an exemption would be applicable.

Representation

Accordingly, by acceptance of a Note (or any interest therein), each purchaser and subsequent transferee will be deemed to have represented, warranted and agreed, on each day from the date on which the purchaser or transferee acquired the Note (or any interest therein) through and including the date on which the purchaser or transferee disposed of the Note (or its interest therein), that either (i) it is not, and is not acting on behalf of (and for so long as it holds such Note (or any interest therein) it will not be, and will not be acting on behalf of), any Plan or (ii) its acquisition, holding and disposition of the Note (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or, in the case of a governmental, church or non-US plan, a violation of any Similar Laws.

In addition, by its acquisition and holding of a Note (or any interest therein), each holder of the Note (or any interest therein) that is, or is acting on behalf of, an ERISA Plan will be deemed to have represented, warranted and agreed that (i) none of the Transaction Parties has provided any investment advice within the meaning of Section 3(21) of ERISA to the ERISA Plan, or to any fiduciary or other person investing the assets of the ERISA Plan ("**Fiduciary**"), in connection with its acquisition of such Note and (ii) the fiduciary is exercising its own independent judgment in evaluating the investment in such Note.

BOOK-ENTRY, DELIVERY AND FORM

General

Additional Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A will initially be represented by one or more global notes in registered form without interest coupons attached (the "**144A Global Additional Notes**") and will initially have different international securities identification numbers and common codes from, and will not be fungible with, the Original Notes sold pursuant to Rule 144A, during the period prior to and including the first interest payment date after the Additional Notes Issue Date. After such date, the relevant 144A Global Additional Notes are expected to become fully fungible with, and have the same ISIN number and common code as, the relevant Original Notes sold pursuant Rule 144A.

Additional Notes sold to persons other than "US persons" (as defined in Regulation S under the US Securities Act) outside the United States in offshore transactions pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Regulation S Global Additional Notes**" and, together with the 144A Global Additional Notes, the "**Global Notes**") and will have different international securities identification numbers and common codes from, and will not be fungible with, the Original Notes sold pursuant to Regulation S during the "40-day distribution compliance period" (as such term is defined in Rule 902 of Regulation S). After the 40-day distribution compliance period ends, certain selling restrictions with respect to the Additional Notes sold pursuant to Regulation S will terminate and the Additional Notes will become fully fungible with, and have the same international securities identification numbers and common codes as, the Original Notes sold pursuant to Regulation S. The Global Notes will be deposited, on the Additional Notes Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

Ownership of interests in the 144A Global Additional Notes ("**144A Book-Entry Interests**") and ownership of interests in the Regulation S Global Additional Notes (the "**Regulation S Book-Entry Interest**" and, together with the 144A Book-Entry Interests, the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants and will be required to be effected in accordance with applicable transfer restrictions set out in the Additional Notes, the Indenture and in any applicable securities laws of any state of the United States or of any other jurisdiction, as described under "*Notice to Investors*" and under "*Transfer Restrictions*." Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by, Euroclear and Clearstream and their participants. The Book-Entry Interests in Global Notes will be issued only in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Additional Notes are in global form, owners of interests in the Global Notes will not have the Additional Notes registered in their names, will not receive physical delivery of the Additional Notes in certificated form and will not be considered the registered owners or "holder" of Additional Notes under the Indenture for any purpose.

So long as the Additional Notes are held in global form, Euroclear and/or Clearstream (or its respective nominee), will be considered the holder of Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of Euroclear and/or Clearstream and indirect participants must rely on the procedures of Euroclear and/or Clearstream and the participants through which they own Book-Entry Interests in order to exercise any rights of holders under the Indenture.

None of the Issuer, the Trustee, Paying Agent, Transfer Agent or Registrar under the Indenture nor any of the Issuer's respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Except as described below, owners of interests in the Global Notes will not have Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or holders thereof under the Indenture for any purpose.

Definitive Registered Notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive definitive registered Additional Notes in certificated form (the "**Definitive Registered Notes**"):

- if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depository and a successor depository is not appointed by the Issuer within 120 days; or
- if the owner of a Book-Entry interest requests such exchange in writing delivered through Euroclear or Clearstream following an event of default under the Indenture and enforcement action is being taken in respect thereof under the Indenture.

In such an event, the Issuer will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend referred to in "*Notice to Investors*," unless that legend is not required by the Indenture or applicable law.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, Euroclear and/or Clearstream, as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Additional Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no Book-Entry Interest of less than €100,000 principal amount at maturity may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) to the Paying Agent. In turn, the Paying Agent will make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indenture governing the Additional Notes, the Issuer, the Trustee, Paying Agent, Transfer Agent, and Registrar will treat the registered holder of the Global Notes (*i.e.*, the common depositary for Euroclear or Clearstream (or its nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, Paying Agent, Transfer Agent, and Registrar or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such for any such payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name."

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 Additional Notes through Euroclear and/or Clearstream in euro.

Transfers

Transfers between participants in Euroclear and/or Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a holder of Additional Notes requires physical delivery of Definitive Registered Notes for any reason, including to sell Additional Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder of Additional Notes must transfer its interests in the relevant Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture.

The Global Notes will bear a legend to the effect set forth under "*Transfer Restrictions*." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Transfer Restrictions*."

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions. Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the US Securities Act or any other exemption (if available under the US Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the US Securities Act in a transaction meeting the requirements of Rule 144A under the US Securities Act 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 relevant Regulation S Global Note and a corresponding increase in the principal amount of the relevant 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 Notes*" and, if required, only if the transferor first delivers to the Transfer Agent a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Additional Notes. See "*Transfer Restrictions*."

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of the settlement system are controlled by the settlement system and may be changed at any time. Neither the Issuer nor the Initial Purchaser is responsible for those operations or procedures.

The Issuer understands as follows with respect to Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organizations. They facilitate the clearance and settlement of securities transactions between their participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and/or Clearstream 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 systems will receive distributions attributable to the Rule 144A Global Notes only through Euroclear or Clearstream participants.

Global Clearance and Settlement Under the Book-Entry System

The Additional Notes represented by the Global Notes are expected to be listed on the Official List of the Exchange. The Issuer expects that secondary trading in any certificated Additional Notes will also be settled in immediately available funds.

The following description of the operations and procedures of Euroclear and Clearstream is provided solely as a matter of convenience. These operations and procedures are solely within the control of the relevant settlement systems and are subject to changes by them. None of the Issuer, the Initial Purchaser, the Trustee, or the Paying Agent takes any responsibility for these operations and procedures and urge investors to contact the systems or their participants directly to discuss these matters.

Initial Settlement

Initial settlement for the Additional Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving Additional Notes through Euroclear or Clearstream on days when those systems are open for business.

In addition, because of time-zone differences, there may be complications with completing transactions involving Euroclear and/or Clearstream on the same business day as in the United States. Certain investors who wish to transfer their interests in the Additional, or to receive or make a payment or delivery of Additional Notes, on a particular day, may find that the transactions will not be performed until the next business day in Brussels if Euroclear is used, or Luxembourg if Clearstream is used.

TRANSFER RESTRICTIONS

The Additional Notes and the Guarantees have not been and will not be registered under the US 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 US Securities Act and other applicable state securities laws. Accordingly, the Additional Notes are being offered and sold only (i) to "qualified institutional buyers" (as defined in Rule 144A under the US Securities Act) ("**QIBs**") in reliance on Rule 144A and (ii) to persons other than "US persons" outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S:

The Issuer uses the terms "offshore transaction," "US person" and "United States" with the meanings given to them in Regulation S.

Each purchaser of the Additional Notes hereunder (other than the Initial Purchaser) will be deemed to have acknowledged, represented and agreed with the Issuer, each Guarantor and the Initial Purchaser as follows:

(1) It understands and acknowledges that the Additional Notes and the Guarantees have not been registered under the US Securities Act or any other applicable securities laws and that the Additional Notes are being offered for resale in transactions not requiring registration under the US Securities Act or any other securities laws, including sales pursuant to Rule 144A and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the US Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set out in paragraphs (4) and (5) below;

(2) It is neither the Issuer's "affiliate" (as defined in Rule 144), nor acting on its behalf and that either;

   (a) it is a QIB, within the meaning of Rule 144A and is aware that any sale of these Notes to it will be made in reliance on Rule 144A, and such acquisition will be for its own account or for the account of another QIB; or

   (b) it is not a US person and it is purchasing the Additional Notes in an offshore transaction in accordance with Regulation S;

(3) It acknowledges that none of the Issuer, the Guarantors or the Initial Purchaser, nor any person representing any of them, has made any representation to it with respect to the Issuer and its subsidiaries or the offer or sale of any of the Additional Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Additional Notes. It acknowledges that neither the Initial Purchaser nor any person representing the Initial Purchaser makes any representation or warranty as to the accuracy or completeness of this offering memorandum. It acknowledges that the Issuer, and not the Initial Purchaser, has ultimate authority over the statements contained in this offering memorandum, including the content of those statements and whether or not to make them. It has had access to such financial and other information concerning the Issuer and its subsidiaries, the Additional Notes that it deems necessary in connection with its decision to purchase any of the Additional Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchaser;

(4) It is purchasing the Additional Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the US 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 Additional Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the US Securities Act, or in any transaction not subject to the US Securities Act;

(5) It understands and agrees on its own behalf and on behalf of any investor account for which it is purchasing the Additional Notes, and each subsequent holder of the Additional Notes by its acceptance thereof will be deemed to agree, that if in the future it decides to resell, pledge or otherwise transfer any Additional Notes or any beneficial interests in any Additional Notes, it will not do so prior to the date which is, in the case of 144A Global Notes, one year after the later of the Additional Notes Issue Date, the original issue date of the issuance of any additional notes and the last date on which the issuer or any

affiliate of the issuer was the owner of such Additional Note (or any predecessor of such Additional Note) or, in the case of the Regulation S Global Notes, 40 days after the later of the Additional Notes Issue Date and the last date on which the Securities were first offered to persons other than Distributors (as defined in Rule 902 of Regulation S) (the "**Resale Restriction Termination Date**") only (a) to the Issuer, the Guarantor or any subsidiary thereof, (b) pursuant to a registration statement which has been declared effective under the US Securities Act, (c) for so long as such Note is 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, (d) pursuant to offers and sales that occur outside the United States in offshore transactions in compliance with Regulation S or (e) pursuant to any other available exemption from the registration requirements of the US Securities Act, subject in each of the foregoing cases to compliance with any applicable state securities laws and any applicable local laws and regulations, and further subject to the Issuer's right prior to any such offer, sale or transfer pursuant to clause (d) or (e) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to it, including a certificate of transfer in the form appearing on the reverse of such Additional Note.

(6) It understands that the Global Notes will bear a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "**US 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, SUCH REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE US SECURITIES ACT ("**RULE 144A**")) OR (B) IT IS NOT A US PERSON AND IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE US SECURITIES ACT, AND (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE THAT IS IN THE CASE OF RULE 144A NOTES: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), IN THE CASE OF REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S) IN RELIANCE ON REGULATION S, ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE US SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE US SECURITIES ACT, 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 TO NON-US PERSONS THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE US SECURITIES ACT, OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRANSFER AGENT'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSES (D) OR (E) TO REQUIRE THE DELIVERY OF

AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRANSFER AGENT AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN THE CASE OF REGULATION S NOTES: BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A US PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A US PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE US SECURITIES ACT.

BY ITS ACQUISITION AND HOLDING OF THIS SECURITY (OR ANY INTEREST HEREIN), EACH PURCHASER AND TRANSFEREE OF THIS SECURITY (OR ANY INTEREST HEREIN) WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE, ON EACH DAY FROM THE DATE ON WHICH THE PURCHASER OR TRANSFEREE ACQUIRES THIS SECURITY (OR ANY INTEREST HEREIN) THROUGH AND INCLUDING THE DATE ON WHICH THE PURCHASER OR TRANSFEREE DISPOSES OF THIS SECURITY (OR ITS INTEREST HEREIN), THAT EITHER (A) IT IS NOT, AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS SECURITY (OR ANY INTEREST HEREIN) IT WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF), AN “EMPLOYEE BENEFIT PLAN” (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“**ERISA**”)), SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A “PLAN” AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “**CODE**”), OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA) BY REASON OF SUCH AN EMPLOYEE BENEFIT PLAN’S AND/OR PLAN’S INVESTMENT IN SUCH ENTITY (EACH, A “**BENEFIT PLAN INVESTOR**”), OR A GOVERNMENTAL, CHURCH OR NON-US PLAN WHICH IS SUBJECT TO ANY NON-US, FEDERAL, STATE, OR LOCAL LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (“**SIMILAR LAWS**”), OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-US PLAN, A VIOLATION OF ANY SIMILAR LAWS. ANY PURPORTED PURCHASE OR TRANSFER OF THIS SECURITY (OR ANY INTEREST HEREIN) THAT DOES NOT COMPLY WITH THE FOREGOING SHALL BE NULL AND VOID.

IN ADDITION, BY ITS ACQUISITION AND HOLDING OF THIS SECURITY (OR ANY INTEREST HEREIN), EACH HOLDER OF THIS SECURITY (OR ANY INTEREST HEREIN) THAT IS, OR IS ACTING ON BEHALF OF, A BENEFIT PLAN INVESTOR, WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT (I) NONE OF THE ISSUER, THE GUARANTORS, THE INITIAL PURCHASER, THE TRUSTEE OR ANY OF THEIR RESPECTIVE AFFILIATES HAS PROVIDED ANY INVESTMENT ADVICE WITHIN THE MEANING OF SECTION 3(21) OF ERISA TO THE BENEFIT PLAN INVESTOR, OR TO ANY FIDUCIARY OR OTHER PERSON INVESTING THE ASSETS OF THE BENEFIT PLAN INVESTOR (“**FIDUCIARY**”), IN CONNECTION WITH ITS ACQUISITION OF THIS SECURITY AND (II) THE FIDUCIARY IS EXERCISING ITS OWN INDEPENDENT JUDGMENT IN EVALUATING THE INVESTMENT IN THIS SECURITY.

A purchaser of Additional Notes will also be deemed to acknowledge that the foregoing restrictions apply to Holders of beneficial interests in these Additional Notes as well as to Holders of these Additional Notes.

(7) It understands that the issuance of further additional notes under the Indenture may have the effect of extending the Resale Restriction Termination Date.

(8) It agrees that it will give to each person to whom it transfers the Additional Notes notice of any restrictions on the transfer of such Additional Notes;

(9) It acknowledges that until 40 days after the commencement of the Offering, any offer or sale of the Securities within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A;

(10) It acknowledges that the Book-Entry Registrar and Transfer Agent will not be required to accept for registration or transfer any Additional Notes acquired by it except upon presentation of evidence satisfactory to the Issuer, Transfer Agent and the Book-Entry Registrar that the restrictions set out therein have been complied with;

(11) It acknowledges that the Issuer, the Guarantors, the Initial Purchaser and others will rely upon the truth and accuracy of the acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Additional Notes are no longer accurate, it shall promptly notify the Issuer and the Initial Purchaser. If it is acquiring any Additional 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; and

(12) It understands that no action has been taken in any jurisdiction (including the United States) by the Issuer, the Guarantors or the Initial Purchaser that would result in a public offering of the Additional Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer or the Additional Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Additional Notes will be subject to the selling restrictions set out under "*Plan of Distribution*," "*Notice to Certain EEA Investors and Investors in the United Kingdom*" and "*Prohibition of Sales to EEA Investors*."

(13) It represents, warrants and agrees that:

(a) if it (or, if it is not the beneficial owner, the beneficial owner) is not a United States person as defined in Section 7701(a)(30) of the Code, (i) it (or the beneficial owner) qualifies for an exemption from US federal withholding tax with respect to payments of interest pursuant to an applicable income tax treaty to which the United States is a party; or (ii)(x) it (or the beneficial owner) does not, actually or constructively, own 10% or more of the Issuer's voting stock within the meaning of Section 871(h)(3) of the Code; (y) it is not a controlled foreign corporation related to the Issuer through actual or constructive stock ownership for U.S. federal income tax purposes; and (z) it is not a bank;

(b) it (and any intermediary through which it holds the Notes) qualifies for an exemption from any taxes imposed under the US Foreign Account Tax Compliance Act (which shall, for this purpose, refer to any taxes imposed under Sections 1471 through 1474 of the Code (and any amended or successor version), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code, or any law or regulation implementing an intergovernmental agreement between a non-US jurisdiction and the United States with respect to the foregoing); and

(c) it is able to provide any required US tax documentation to certify to the foregoing representations or to its status as a United States person as defined in Section 7701(a)(30) of the Code upon reasonable request by the Issuer or an applicable withholding agent.

PLAN OF DISTRIBUTION

The Issuer has agreed to sell to the Initial Purchaser, and the Initial Purchaser has agreed, subject to certain customary closing conditions, to subscribe to and pay for, the Additional Notes on the Additional Notes Issue Date.

The sale will be made pursuant to an agreement among the Issuer, the Guarantors and the Initial Purchaser (the "**Purchase Agreement**"). Subject to the terms and conditions of the Purchase Agreement, the Issuer has agreed to sell to the Initial Purchaser, and the Initial Purchaser has agreed to purchase from the Issuer all of the Additional Notes. The Purchase Agreement provides that the obligations of the Initial Purchaser to pay for and accept delivery of the Additional Notes are subject to, among other conditions, the delivery of certain legal opinions by the Issuer's and their counsel. The Purchase Agreement also provides that the Issuer and the Guarantors will indemnify the Initial Purchaser against certain liabilities, including liabilities under the US Securities Act, and will contribute to payments that the Initial Purchaser may be required to make in respect thereof. The Issuer has furthermore agreed to reimburse the Initial Purchaser for certain expenses incurred in connection with the issue of the Additional Notes. In the Purchase Agreement, the Issuer and the Guarantors have made certain representations and given certain warranties with respect to their respective legal and financial matters. The Initial Purchaser is entitled, under certain circumstances, to terminate the Purchase Agreement. In such event, no Additional Notes will be delivered to investors.

The Issuer has agreed, subject to certain limited exceptions, that it or its affiliates and subsidiaries will not, directly or indirectly, sell or offer to sell any debt securities issued or guaranteed by the Issuer, any of the Guarantors or the Target Business and having a tenor of more than one year for a period of 90 days from the date of the Purchase Agreement without first obtaining the written consent of the Initial Purchaser.

The Additional Notes are a new issue of securities with no established trading market. Application will be made for the Additional Notes to be admitted to trading on the Exchange. There is no assurance that the Additional Notes will be listed on the Official List of the Exchange or that such listing will be maintained. Notwithstanding the foregoing, the Issuer may at its sole option at any time, without the consent of the Holders or the Trustee, delist the Additional Notes from any stock exchange for the purposes of moving the listing of the Additional Notes to another recognized stock exchange for high yield issuers.

Persons that purchase the Additional Notes from the Initial Purchaser 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.

The Additional Notes and the related Guarantees have not been and will not be registered under the US Securities Act or qualified for sale under the securities laws of any US state or any jurisdiction outside the United States and may not be offered or sold within the United States except to QIBs in reliance on Rule 144A and outside the United States in offshore transactions in reliance on Regulation S. Accordingly, the Additional Notes will be subject to significant restrictions on resale and transfer as described under "*Notice to Investors*," "*Notice to Certain EEA Investors and Investors in the United Kingdom*," "*Prohibition of Sales to EEA Retail Investors*" , "*Prohibition of Sales to Retail Investors in the United Kingdom*" and "*Transfer Restrictions*." Any offer or sale of Additional Notes in the United States in reliance on Rule 144A will be made by broker dealers who are registered as such under the Exchange Act. Until 40 days after the later of (i) the commencement of this offering and (ii) the issue date of the Additional Notes, an offer or sale of the Additional Notes initially sold in reliance on Regulation S within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the US Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S. To the extent that the Initial Purchase is not a US registered broker dealer it intends to effect any sale of Additional Notes in the United States, it will do so through one or more US registered broker dealer affiliates as permitted by guidelines promugulated by the US Financial Industry Regulatory Authority, Inc.

The 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 Financial Services and Markets Act 2000, as amended (the "**FSMA**"), received by it in connection with the issuance or sale of any Additional Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer 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 Additional Notes in, from or otherwise involving the United Kingdom.

The Initial Purchaser has represented and agreed that it has not offered, or sold and will not offer or sell any Additional Notes to any retail investor in the EEA. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2016/97/EE (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

The Initial Purchaser has represented and agreed that it has not offered, or sold and will not offer or sell any Additional Notes to any retail investor in the United Kingdom. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

No action has been taken in any jurisdiction, including the United States, Germany and the United Kingdom, by the Issuer or the Initial Purchaser that would permit a public offering of the Additional Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer, the Additional Notes in any jurisdiction where action for this purpose is required. Accordingly, the Additional 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 Additional 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 Additional Notes. See "*Notice to Investors*," "*Notice to Certain EEA Investors and Investors in the United Kingdom*," "*Prohibition of Sales to EEA Retail Investors,*" "*Prohibition of Sales to Retail Investors in the United Kingdom*" and "*Transfer Restrictions*."

The Issuer and the Guarantors have also agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the US Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Additional Notes.

It is expected that delivery of the Additional Notes will be made against payment therefore on or around the date specified on the cover page of the offering memorandum, which will be the business day following the date of pricing of the Additional Notes (this settlement cycle is being referred to as "T+ "). Under Rule 15(c)6-1 under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Additional Notes on the date of pricing or the next succeeding business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Additional Notes who wish to trade the Additional Notes on the date of pricing or the next succeeding business days should consult their own advisor.

The Additional Notes will constitute a new class of securities with no established trading market. The Initial Purchaser has advised the Issuer that, following the completion of this offering, it currently intends to make a market in the Additional Notes as permitted by applicable laws and regulations. However, the Initial Purchaser is not obligated to do so, and the Initial Purchaser may discontinue any market making activities with respect to the Additional Notes at any time in its sole discretion. Accordingly, no assurance can be given that any market for the Additional Notes will develop, that it will be liquid and that you will be able to sell any of the Additional Notes held by you at a particular time or that the prices that you receive when you sell will be favorable to you. See "*Risk Factors—Risks Related to the Additional Notes and the Guarantees and the Collateral—There may not be an active trading market for the Additional Notes, in which case your ability to sell the Additional Notes may be limited.*" Each purchaser of the Additional Notes, by its purchase of the Additional Notes, will be deemed to have made certain acknowledgements, representations, warranties and agreements as set forth under "*Notice to Investors,*" "*Notice to Certain EEA Investors and Investors in the United Kingdom*," "*Prohibition of Sales to EEA Retail Investors*" and "*Prohibition of Sales to Retail Investors in the United Kingdom.*"

In connection with the offering, Goldman Sachs Bank Europe SE (the "**Stabilizing Manager**") (or persons acting on its behalf) may purchase and sell Additional Notes in the open market. These transactions may include over allotment, stabilizing transactions, syndicate covering transactions and penalty bids. Over allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchaser. Stabilizing transactions involve bids to purchase the Additional Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Additional Notes. Syndicate covering transactions involve purchases of the Additional Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchaser to reclaim a selling concession from a broker/dealer when the Additional Notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions.

These transactions may be effected in the over the counter market or otherwise. These activities may stabilize, maintain or otherwise affect the market price of the Additional Notes. As a result, the price of the Additional Notes may be higher than the prices that otherwise might exist in the open market. Neither the Issuer nor the Initial Purchaser makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Additional Notes. In addition, there is no obligation on the Stabilizing Manager to engage in such transactions and neither the Issuer nor the Initial Purchaser makes any representation that the Stabilizing Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice. Any stabilizing action, if commenced, must end no later than the earlier of 30 days after the Additional Notes Issue Date and 60 days after the date of the allotment of the Additional Notes.

The Initial Purchaser and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchaser or its affiliates from time to time have provided in the past and may provide in the future investment banking, financial advisory and commercial banking services to the Issuer and its affiliates, or to the Issuer and its affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. The Initial Purchaser has received, and expects to receive, customary fees and commissions for the Transactions. In particular, the Initial Purchaser or certain of its are mandated lead arrangers and lenders under the Super Senior Facilities, and such entities have received customary fees for their services in such capacities. The Initial Purchaser or its affiliates have committed to provide bridge loan financing in respect of the Acquisition in the event that the Offering is not consummated and such entities will receive customary fees in respect thereof.

In addition, in the ordinary course of their business activities, the Initial Purchaser and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantors or their respective affiliates. The Initial Purchaser and its affiliates may also receive allocations of the Additional Notes. The Initial Purchaser and its affiliates have and may also, in the future, act as hedge counterparties to the Issuer consistent with their customary risk management policies, including in connection with the Acquisition. Typically, the Initial Purchaser and its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Additional Notes. Any such short positions could adversely affect future trading prices of the Additional Notes. The Initial Purchaser and its affiliates may also make investment recommendations and/or publish or express independent research views with respect to such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is organized under the laws of Germany and Horstman Defence Systems Ltd and Horstman Holdings Limited are incorporated in the United Kingdom. None of the following are residents or citizens of the United States: the managing directors and members of the supervisory board of the Issuer as well as the CEO and the members of the board of directors of Horstman Defence Systems Ltd and Horstman Holdings Limited. Therefore, you may be unable to effect service of process within the United States on such directors, officers or executives. Furthermore, since the assets of the Issuer and each of Horstman Defence Systems Ltd and Horstman Holdings Limited, and their respective directors and officers are located outside the United States, any judgment obtained in the United States against the Issuer or Horstman Defence Systems Ltd and Horstman Holdings Limited or any such other person, including judgments with respect to the payment of principal, premium (if any) and interest on the Additional Notes or any judgment of a US court predicated upon civil liabilities under US Federal or state securities laws, may not be collectible in the United States.

Germany

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

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

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

In addition, in the past the recognition and enforcement of punitive damages has been denied by German courts as incompatible with the fundamental principles of German law. Moreover, a German court may reduce the amount of damages granted by a US court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

German civil procedure differs substantially from US civil procedure in a number of respects. With respect to the production of evidence, for example, US 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.

England and Wales

The United States and England currently do not have a treaty between them providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon US federal securities laws, would not automatically be recognized or enforceable in England. In order to enforce any such US judgment in England, proceedings must first be initiated before a court of competent jurisdiction in England. In such an action, the English court would not generally reinvestigate the merits of the original matter decided by the US court (subject to what is described below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a US judgment by an English court in such an action is conditional upon (among other things) the following:

- the US court having had jurisdiction over the original proceedings according to English conflicts of laws principles and rules of English private international law;
- the US judgment not having been given in breach of a jurisdiction or arbitration clause;
- the US judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a definite sum of money;
- the US judgment not contravening English public policy or the Human Rights Act 1998;
- the US judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine, or otherwise involving the enforcement of a non-English penal or revenue law;
- the US judgment not being contrary to the Protection of Trading Interests Act 1980;
- the US judgment not having been obtained by fraud or in breach of English principles of natural justice;
- there not having been a prior inconsistent decision of an English court in respect of the same matter involving the same parties; and
- the English enforcement proceedings being commenced within the relevant limitation period.

If an English court gives judgment for the sum payable under a US judgment, the English judgment will be enforceable by methods generally available for this purpose. The judgment creditor is able to utilize any method or methods of enforcement available to him/her at the time. In addition, 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, if the judgment debtor has any set-off or counter-claim against the judgment creditor or if an appeal is pending or anticipated against the judgment or against the foreign judgment.

Subject to the foregoing, investors may be able to enforce in England judgments in civil and commercial matters that have been obtained from US federal or state courts. However, we cannot assure you that those judgments will be recognized or enforceable in England. In addition, it is questionable whether an English court would accept jurisdiction and impose civil liability if the original action was commenced in England, instead of the United States, and predicated solely upon US federal securities laws.

INDEPENDENT AUDITORS

The German language consolidated financial statements of the former RENK AG as of and for the fiscal year ended December 31, 2019, which were prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union ("**IFRS**") and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (*Handelsgesetzbuch, HGB*), have been audited in accordance with Section 317 of the German Commercial Code (*Handelsgesetzbuch*, *HGB*) and German generally accepted standards for financial statement audits promulgated by the German Institute of Public Auditors (*Institut der Wirtschaftsprüfer*) by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft ("**PwC**"), independent auditors, as stated in their German language independent auditor's report (*Bestätigungsvermerk des unabhängigen Abschlussprüfers*). English language translations of the above mentioned German language audited consolidated financial statements and the respective independent auditor's report are included elsewhere in this offering memorandum.

The German language consolidated financial statements of RENK Holding GmbH as of and for the short fiscal year ended December 31 2020, which were prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (*Handelsgesetzbuch, HGB*), have been audited in accordance with Section 317 of the German Commercial Code (*Handelsgesetzbuch*, HGB) and German generally accepted standards for financial statement audits promulgated by the German Institute of Public Auditors (*Institut der Wirtschaftsprüfer*) by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft ("**EY**"), independent auditors, as stated in their German language independent auditor's report (*Bestäigungsvermerk des unabhängigen Abschlussprüfers*). English language translations of the above mentioned German language audited consolidated financial statements and the respective independent auditor's report are included elsewhere in this Offering Memorandum.

Each of the respective independent auditor's report of PwC and EY on the audited consolidated financial statements refers to the respective audited consolidated financial statements and respective group management report of the former RENK AG or RENK Holding GmbH, as applicable, as a whole. The group management reports of the former RENK AG and RENK Holding GmbH are neither included nor incorporated by reference in this offering memorandum.

The independent auditor's report (*Bestätigungsvermerk des unabhängigen Abschlussprüfers*) of PwC on the consolidated financial statements of the former RENK AG, as of and for the fiscal year ended December 31, 2019 and the independent auditor's report of EY on the consolidated financial statements of RENK Holding GmbH as of and for the short fiscal year ended December 31, 2020, refer to group management reports of the former RENK AG and RENK Holding GmbH, respectively. The examinations of and the independent auditor's reports upon such group management reports are required under German commercial law and performed in accordance with German auditing standards. Those examinations were not made in accordance with generally accepted auditing or attestation standards in the United States. Accordingly, PwC and EY do not express any opinion on this information or on the consolidated financial statements included in this offering memorandum, in each case in accordance with US generally accepted auditing standards or US attestation standards.

The combined financial statements of the Target Business as of and for the fiscal years ended January 1, 2021 and January 3, 2020, included elsewhere in this offering memorandum, have been audited by Ernst & Young LLP, independent auditors, as stated in their report appearing herein.

AVAILABLE INFORMATION

Each purchaser of the Additional Notes from the Initial Purchaser will be furnished with a copy of this offering memorandum and any amendments or supplements to this offering memorandum. Each person receiving this offering memorandum and any related amendments or supplements to the offering memorandum acknowledges that:

- such person has been afforded an opportunity to request from the Issuer and has received and reviewed all additional information considered by it to be necessary to verify the accuracy and completeness of the information contained herein;
- such person has not relied on information provided or representations made by the Initial Purchaser or any person affiliated with the Initial Purchaser in connection with its investigation of the accuracy of such information or its investment decision; and
- except as provided pursuant to the first bullet above, no person has been authorized to give any information or to make any representation concerning the Additional Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by the Issuer or the Initial Purchaser.

For so long as any of the Additional Notes are "restricted securities" within the meaning of the Rule 144(a)(3) under the US Securities Act, the Issuer will, during any period in which the Issuer is neither subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, nor exempt from the reporting requirements under Rule 12g3-2(b) of the Exchange Act, provide to the holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the written request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the US Securities Act.

Pursuant to the Indenture and so long as the Additional Notes are outstanding, anyone who has received this offering memorandum may, following the Additional Notes Issue Date, obtain a copy of the Indenture, the Additional Notes, the related Guarantees, the Security Documents and the Intercreditor Agreement, without charge, in each case, by writing to the Paying Agent. Copies of such documents are also available at the specified office of the Paying Agent and the registered office of the Issuer.

Pursuant to the Indenture and so long as the Additional Notes are outstanding, the Issuer will furnish periodic information to holders of the Additional Notes. See "*Description of the Notes—Covenants—Reports*."

The additional documents and information specified in "*Listing and General Information*" and not included in this offering memorandum will be available to be inspected and obtained by Holders at the specified office of the Paying Agent during normal business hours on any weekday.

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for the Issuer by Latham & Watkins LLP, as to matters of German law, Latham & Watkins (London) LLP as to matters of US federal, New York state and English law and Linklaters LLP as to matters of Luxembourg Law. Certain legal matters in connection with the Offering will be passed upon for the Initial Purchaser by Allen & Overy LLP, as to matters of US federal, New York state, English and German law.

LISTING AND GENERAL INFORMATION

Listing Information

The Issuer will make an application to the Authority for the listing of the Additional Notes on the Official List of the Exchange and permission to deal in the Additional Notes thereon. For the period of at least 14 days from the date of admitting the Additional Notes to the Official List of the Exchange and for as long as the rules and regulations of that exchange so require, copies of the following documents may be physically inspected and obtained at the specified office of the Issuer during normal business hours on any business day:

- the organizational documents of the Issuer;
- the consolidated financial statements included in this offering memorandum; and
- the most recent audited consolidated financial statements and any unaudited condensed consolidated interim financial statements published by RENK Holding GmbH.

Application may be made to the Authority to have the Additional Notes removed from listing on the Official List of the Exchange, including, if necessary, to avoid any new withholding taxes in connection with the listing.

The Issuer has appointed Carey Olsen Corporate Finance Limited as Listing Agent, the Issuer reserves the right to change this appointment in accordance with the terms of the Indenture.

The Issuer accepts responsibility for the information contained in this offering memorandum. The Issuer declares that, having taken all reasonable care to ensure that such is the case, to the best of its knowledge, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect its import. This offering memorandum may only be used for the purposes for which it has been published.

Clearing Information

The Issuer expects that the Additional Notes sold pursuant to Regulation S and the Additional Notes sold pursuant to Rule 144A will be accepted for clearance through the facilities of Euroclear and Clearstream.

The ISIN number and common code for the Additional Notes sold pursuant to Regulation S and Rule 144A under the US Securities Act will initially be different from the Original Notes, and will be as set forth below:

	ISIN	Common Code
Regulation S Global Additional Note		
Rule 144A Global Additional Note		

After (a) in the case of the Additional Notes sold pursuant to Rule 144A, the first interest payment date following the Additional Notes Issue Date and (b) in the case of the Additional Notes sold pursuant to Regulation S, the 40th day following the Additional Notes Issue Date, the Additional Notes are expected to become fully fungible with, and have the same ISIN number and common code as, the relevant Original Notes, as applicable.

The Original Notes sold pursuant to Regulation S and the Original Notes sold pursuant to Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream. The ISIN and Common Code for the Original Notes sold pursuant to Regulation S and Rule 144A under the US Securities Act are set forth below:

	ISIN	Common Code
Regulation S Global Note	XS2199445193	219944519
Rule 144A Global Note	XS2199445359	219944535

For so long as the Additional Notes are not fungible with the Original Notes, the Additional Notes will have different ISIN and common codes than the Original Notes.

General Information

Except as disclosed in this offering memorandum:

- there has been no material adverse change in the prospects of the Issuer since December 31, 2020, the most recent audited consolidated financial statements of RENK Holding GmbH; and

- there has been no material adverse change in its financial or trading position or its prospects since December 31, 2020; and
- none of the Issuer or the Guarantors or any of their respective subsidiaries has been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts which are material in the context of the issue of the Additional Notes, and, so far as the Issuer, the Guarantors and their respective subsidiaries are aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

The Issuer accepts responsibility for the information contained in this offering memorandum. The information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of this offering memorandum.

Authorization

The creation and issuance of the Notes was authorized by the shareholder of the Issuer on June 15, 2021.

Corporate Information

Issuer

The Issuer is established under the name RENK GmbH as a limited liability company (*Gesellschaft mit beschränkter Haftung*) under the laws of Germany. It is registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, under the register number HRB 265140.

The Issuer's business address is Gögginger Straße 73, 86159 Augsburg, Germany. The phone number of the Issuer is +49 821 5700-0.

Guarantors

The Guarantors of the Additional Notes will be: Horstman Defence Systems Ltd. and Horstman Holdings Limited, incorporated in the United Kingdom and RENK America LLC and RENK Holdings Inc, incorporated or organized in the United States.

Horstman Defence Systems Ltd.

Horstman Defence Systems Ltd. is a private limited company incorporated under the laws of England and Wales. It is registered with the Companies House for England and Wales under number 01511975 and its registered office is Locksbrook Road, Bath, Avon, BA1 3EX. Its phone number is +44 1225 423111.

Horstman Holdings Limited

Horstman Holdings Limited is a private limited company incorporated under the laws of England and Wales. It is registered with the Companies House for England and Wales under number 08949564 and its registered office is Locksbrook Road, Bath, Avon, BA1 3EX. Its phone number is +44 1225 423111.

RENK America LLC

Renk America LLC is a limited liability company organized under the laws of the State of Delaware and was organized on March 5, 2021. Renk America LLC is registered with the Secretary of State of the State of Delaware under registration number 5377129. Its registered office is at 251 Little Falls DR, Wilmington, DE 19808.

RENK Holdings Inc.

RENK Holdings Inc. is a corporation incorporated under the laws of the State of Delaware and was incorporated on March 5, 2021. RENK Holdings Inc. is registered with the Secretary of State of the State of Delaware under registration number 5224148. Its registered office is at 251 Little Falls DR, Wilmington, DE 19808. The issued nominal share capital of 1000 shares of common stock amounts to $10.

INDEX TO THE FINANCIAL STATEMENTS

The following English language audited consolidated financial statements (F-17 - F-59 and F-77 - F-132) and unaudited condensed consolidated interim financial statements (F-3 - F-16 and F-63 - F-76) are translations of the respective German language audited consolidated financial statements and unaudited condensed consolidated interim financial statements.

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Unaudited Combined Financial Statements of Combat Propulsion Systems a Business of L3Harris Technologies, Inc. as of and for each of the fiscal quarters ended April 2, 2021 and April 3, 2020

Unaudited Condensed Consolidated Interim Financial Statements of RENK Holding GmbH as of and for the three month period ended March 31, 2021

Contents

Consolidated Income Statement

€ thousand	Note	2021 Jan. 1 to Mar. 31	2020 Jan. 2 to Mar. 31
Sales revenue	**[4]**	**127,045**	—
Cost of sales		-98,529	—
Gross profit		**28,516**	—
Other operating income	[5]	2,741	—
Net allowances on financial assets		-140	—
Distribution expenses		-9,471	—
General and administrative expenses		-7,186	—
Other operating expenses	[6]	-4,663	-50
Operating profit		**9,798**	**-50**
Interest expense(1)		-12,384	—
Other financial result		6,363	—
Financial result		**-6,021**	—
Profit before tax		**3,778**	**-50**
Income tax expense		-1,154	—
Profit after tax		**2,624**	**-50**

(1) Includes interest expense from lease liabilities of € 41 thousand (previous year: € 0 thousand).

Consolidated Statement of Comprehensive Income

€ thousand	2021 01.01.–31.03.	2020 02.01.–31.03.
Profit after tax	**2.624**	**-50**
Items not reclassified to profit or loss		
Remeasurement from defined benefit plans	10.639	—
Deferred taxes	-2.390	—
	8.249	—
Items reclassified to profit or loss in the future		
Currency translation differences	1.314	—
	1.314	—
Other comprehensive income for the period	**9.562**	—
Total comprehensive income	**12.187**	**-50**

Consolidated Statement of Financial Position

€ thousand	Note	Mar. 31, 2021	Dec. 31,2020
Assets			
Intangible assets		241,876	246,689
Property, plant and equipment	[7]	295,879	295,983
Other and financial investments		23,708	23,708
Deferred tax assets		1,440	3,861
Other noncurrent financial assets	[9]	4,533	5,592
Other noncurrent receivables	[9]	4,816	4,732
Noncurrent assets		**572,250**	**580,565**
Inventories	[8]	261,108	248,604
Trade receivables		98,971	122,781
Contract assets		3,698	2,565
Current income tax receivables		15,476	13,385
Other current financial assets	[9]	23,959	25,141
Other current receivables	[9]	11,437	7,449
Cash and cash equivalents		153,470	186,881
Current assets		**568,120**	**606,806**
		1,140,369	**1,187,371**

€ thousand	Note	Mar. 31, 2021	Dec. 31,2019
Equity and liabilities			
Subscribed capital		25	25
Capital reserves		270.755	221.903
Retained earnings		-21.566	-24.190
Cumulative other comprehensive income		12.208	2.645
Equity	**[10]**	**261.421**	**200.383**
Noncurrent financial liabilities	[12]	403.841	407.239
Pension provisions		5.146	16.023
Deferred tax liabilities		84.098	83.382
Contract liabilities, noncurrent	[13]	76.461	78.544
Other noncurrent provisions	[11]	13.637	11.480
Other noncurrent financial liabilities		517	232
Noncurrent liabilities and provisions		**583.700**	**596.900**
Current financial liabilities	[12]	42.662	97.759
Income tax liabilities		652	652
Trade payables		52.057	49.383
Contract liabilities, current	[13]	112.173	106.380
Current income tax payables		697	496
Other current provisions	[11]	48.426	53.825
Other current financial liabilities	[14]	3.036	53.014
Other current liabilities		35.544	28.578
Current liabilities and provisions		**295.248**	**390.087**
		1.140.369	**1.187.371**

Consolidated Statement of Changes in Equity

€ thousand	Subscribed capital	Capital reserves	Retained earnings	Remeasurement of defined benefit liability	Currency translation	Total equity
As of Jan. 2, 2020	—	—	—	—	—	**—**
Profit after tax	—	—	-50	—	—	-50
Total comprehensive income after tax	—	—	**-50**	—	—	**-50**
Contribution Foundation RENK Holding GmbH	25	—	—	—	—	25
Contributions Shareholders	—	50	—	—	—	50
As of Mar. 31, 2020	**25**	**50**	**-50**	—	—	**25**
As of Jan. 1, 2021	**25**	**221.903**	**-24.190**	**2.749**	**-104**	**200.383**
Profit after tax	—	—	2.624	—	—	2.624
Cumulative other comprehensive income	—	—	—	8.249	1.314	9.563
Total comprehensive income after tax	—	—	**2.624**	**8.249**	**1.314**	**12.187**
Shareholder contributions	—	48.852	—	—	—	48.852
As of Mar. 31, 2021	**25**	**270.755**	**-21.566**	**10.998**	**1.210**	**261.421**

Consolidated Statement of Cash Flows

€ thousand	2021 01.01.–31.03.	2020 02.01.–31.03.
Cash and cash equivalents at beginning of the period	**186.881**	—
Profit before taxes	3.778	-50
Income taxes paid	-2.331	—
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment	11.452	—
Change in provisions for pension obligations	-553	—
Gains/losses from asset disposals	-82	—
Other non-cash expenses and income	949	—
Change in inventories	-12.113	—
Change in receivables and contract assets	19.397	—
Change in (contract) liabilities	13.983	43
Change in other provisions	-3.164	—
Financial result	6.021	—
Cash flows from operating activities	**37.337**	**-7**
Payments to acquire property, plant and equipment and intangible assets	-5.590	—
Proceeds from asset disposals	150	—
Cash flows from loans receivable and restricted cash	575	—
Cash flows from investing activities	**-4.865**	**0**
Acquisition of non-controlling interests	-51.553	50
Change in financial liabilities	-5.718	—
Lease payment	-100	—
Interest payments	-9.296	—
Cash flows from financing activities	**-66.666**	**50**
Effect of exchange rate changes on cash and cash equivalents	783	—
Change in cash and cash equivalents	**-33.411**	**43**
Cash and cash equivalents as of March 31	**153.470**	**43**
Cash flows from loans receivable and restricted cash	-7.441	—
Gross liquidity as of March 31	**146.029**	**43**
Financial liabilities	-446.503	—
Net liquidity as of March 31	**-300.475**	**43**

Notes to the Condensed Consolidated Interim Consolidated Financial Statements

(1) General principles

In accordance with Regulation 1606/2002 of the European Parliament and of the Council, RENK Holding GmbH, Munich, prepared its consolidated financial statements for 2020 in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union.

These condensed consolidated interim consolidated financial statements of RENK Holding GmbH as of March 31, 2021 were prepared in accordance with IAS 34 "Interim Financial Reporting" and do not contain all the information and disclosures in the notes that are required for consolidated financial statements as of the end of the fiscal year in accordance with IFRS, but rather should be read in conjunction with the IFRS consolidated financial statements published by the company for fiscal year 2020. The information in the notes presents the material circumstances needed in order to understand the changes in the net assets, financial position and results of operations of the RENK Group that have taken effect since December 31, 2020.

(2) Accounting policies

RENK has implemented all accounting standards endorsed by the EU, effective for financial periods since January 1, 2021 and relevant to the RENK Group. The adoption of the new accounting standards did not have a material impact on these financial statements.

Unless any changes are explicitly stated, the accounting policies used in the condensed consolidated interim consolidated financial statements are the same as those used in the last consolidated financial statements as of the end of fiscal year 2020.

The accounting for the acquisition of the former RENK Group has not yet been completed. No adjustments have been made to the accounting for the business combination as of March 31, 2021. The provisional nature of the accounting for the business combination continues to relate to the determination of the identifiable net assets and the goodwill.

On the basis of these preliminary values, it is not possible to make a sufficiently precise allocation to the cash-generating units, which is mandatory for performing an impairment test. Furthermore, there were no indications of impairment at the reporting date.

A detailed description of these methods can be found in the notes to the consolidated financial statements as of December 31, 2020. All amounts have been rounded in line with commercial practice; this can result in minor deviations in the addition of figures.

A discount rate of 0.90% was used to calculate pension provisions in Germany in these interim financial statements. As of December 31, 2020, the discount rate was 0.40%. The increase in the interest rate is the main reason for the actuarial gains of € 10,639 thousand. As a result of the partial tax exemption of the pension assets in Germany, the deferred tax attributable to this amounts to only € 2,390 thousand. The pension provisions reported as of March 31, 2021 comprise the net amount of the pension obligation of € 187,939 thousand and the plan assets of € 182,793 thousand.

The income tax expense in these consolidated interim consolidated financial statements is calculated on the basis of the effective income tax rate anticipated for the year as a whole.

In the opinion of the management, these condensed consolidated interim consolidated financial statements contain all the normal adjustments required for an appropriate presentation of the net assets, financial position and results of operations. The results for the first three months of fiscal year 2021 do not necessarily provide any indication of future business performance.

The management must make assumptions and estimates in preparing the condensed consolidated interim consolidated financial statements. These affect the amounts and reporting of the figures stated for assets, liabilities, income and expenses for the reporting period. The actual amounts incurred can differ from these estimates. In addition to the figures, the condensed consolidated interim consolidated financial statements also include notes on selected items.

(3) Significant events

On March 1, 2021, RENK AG signed a contract to acquire the Combat Propulsion Systems (CPS) business and Magnet-Motor GmbH (MM) from L3Harris Technologies Inc. (L3Harris) for a purchase price of

(3) Significant events (Continued)

USD 400 million. The transaction is subject to regulatory approval and is expected to close in the second half of 2021. To finance the purchase price, the existing bond is to be increased by around € 200 million. If the deal is closed before the bond is increased, the financing would be provided by interim financing secured in the quarter. The costs of obtaining the financing in the amount of € 4,600 thousand are recognized in interest expense.

CPS is an established manufacturer of transmissions and engines for armored tracked vehicles on the American and international market. MM operates in the development and construction of high-performance electric power supply and hybrid drive systems for military applications. On completion of the acquisition, RENK will become one of the world's leading suppliers of mobility solutions for armored vehicles with a focus on the US and Europe. The company will bundle the state-of-the-art technologies of RENK, the acquired Horstman Group and CPS and MM. After signing the contract, RENK founded two new US companies as vehicles for the purpose of carrying out the takeover of CPS.

RENK Holdings, Inc., a wholly owned subsidiary of RENK GmbH, and Combat Mobility Solutions LLC (CMS), a wholly owned subsidiary of RENK Holdings, Inc., were founded on March 5, 2021. CMS will acquire the assets of CPS on completion of the deal.

Thanks to its business model, as in the 2020 fiscal year, the COVID-19 pandemic has had an only limited impact on RENK's net assets, financial position and results of operations in the first three months. Overall, there are no indications of possible impairment losses on intangible assets, including goodwill in particular, or property, plant and equipment.

Basis of consolidation

In addition to RENK Holding GmbH, which is domiciled in Munich and registered with the Munich Local Court under HRB 253885, the condensed consolidated interim consolidated financial statements as of March 31, 2021 include the following wholly owned subsidiaries:

- RENK FinCo GmbH, Munich
- RENK GmbH, Munich
- RENK France S.A.S., Saint-Ouen-l'Aumone, France
- RENK Corporation, Duncan (SC), USA
- RENK Test System GmbH, Augsburg
- RENK-MAAG GmbH, Winterthur, Switzerland,
- RENK Systems Corporation, Camby (IN), USA
- Horstman Holdings Limited, Bath, UK
- Horstman Defence Systems Limited, Bath, UK
- Horstman Inc., Sterling Heights (MI), USA

Notes to the Consolidated Income Statement

Information on the previous period is only provided if available.

(4) Sales revenue

€ thousand	2021 Jan. 1 to Mar. 31
Germany	26,419
Other EU countries	38,458
Asia	34,001
Americas	20,819

(4) Sales revenue (Continued)

€ thousand	2021 Jan. 1 to Mar. 31
Other European countries	6,282
Australia and Oceania	665
Africa	401
	127,045

(5) Other operating income

€ thousand	2021 Jan. 1 to Mar. 31
Income from exchange rate changes and derivatives	2,231
Income from reversal of provisions	303
Income from asset disposals	86
Miscellaneous other income	121
	2,741

Income from exchange rate changes and derivatives includes gains from exchange rate changes between the origination and payment date of receivables and liabilities in foreign currency and realized and unrealized price gains from the measurement of derivatives.

(6) Other operating expenses

€ thousand	2021 01.01.–31.03.	2020 02.01.–31.03.
Expenses from currency translation differences	2.461	
Acquisition-related costs from business combination	1.048	
Additions to miscellaneous other provisions	223	—
Personnel expenses	80	—
Bank fees	37	—
Miscellaneous other expenses	814	50
	4.663	**50**

Expenses from exchange rate changes and derivatives include losses from exchange rate changes between the origination and payment date of receivables and liabilities in foreign currency and realized and unrealized price losses from the measurement of derivatives.

In the first three months of the fiscal year, the other operating expenses include the incidental costs of € 1,048 thousand from the acquisition of the Combat Propulsion Systems business and Magnet-Motor GmbH from L3Harris Technologies Inc.

Notes to the Consolidated Statement of Financial Position

(7) Property, plant and equipment

€ thousand	Mar. 31, 2021	Dec. 31, 2020
Land and buildings	113,034	113,775
Technical equipment and machinery	143,944	142,224
Other equipment, operating and office equipment	14,695	14,623
Prepayments and assets under construction	24,206	25,361
	295,879	**295,983**

(7) Property, plant and equipment (Continued)

The right-of-use assets from leases are included in land and buildings in the amount of € 5,268 thousand (December 31, 2020: € 5,473 thousand) and in other equipment, operating and office equipment in the amount of € 324 thousand (December 31, 2020: € 291 thousand).

(8) Inventories

€ thousand	Mar. 31, 2021	Dec. 31, 2020
Raw materials, consumables and supplies	36,478	38,925
Finished goods and work in progress	219,985	207,307
Prepayments for inventories	4,645	2,372
	261,108	**248,604**

Inventories were written down by € 1,814 thousand as of March 31, 2021.

(9) Other noncurrent and current assets and receivables

€ thousand	Mar. 31, 2021	Dec. 31, 2020
Restricted cash	10,180	11,257
Customer prepayment receivables	8,619	8,845
Derivative financial instruments	5,744	582
Receivables from loans	2,770	9,117
Miscellaneous other financial assets	1,178	932
Other financial assets	**28,492**	**30,733**
Prepaid expenses	5,936	3,777
Other tax assets	3,183	1,644
Commission claims	1,738	1,952
Receivables from surplus of plan assets	374	—
Miscellaneous other receivables	5,022	4,808
Other receivables	**16,252**	**12,181**
	44,744	**42,914**

The restricted cash comprises the cash collateral for the bilateral guarantee credit lines.

Derivative financial instruments are carried at fair value. They are used to hedge currency risks on customer orders and other foreign exchange positions. A deal contingent forward was concluded to partially hedge the purchase price from the planned acquisition of the Combat Propulsion Systems business unit and the Magnet-Motor GmbH from L3Harris Technologies Inc. The positive fair value amounts to € 5,709 thousand as of March 31, 2021 and is recognized in the other financial result

The receivables from loans were offset against the existing loan liabilities of € 6,866 thousand in the course of the capital increase.

The other miscellaneous receivables include capitalized transaction costs of the syndicated loan agreement of € 4,442 thousand.

(10) Equity

The shareholder Rebecca BidCo SARL made a contribution of € 48,852 thousand by converting loan liabilities.

(11) Other Provisions

€ thousand	Mar. 31, 2021	Dec. 31, 2020
Warranties	38,782	40,258
Obligations to employees	10,756	12,088
Outstanding costs	4,605	4,704
Miscellaneous other provisions	7,921	8,255
	62,063	**65,305**

(12) Financial liabilities

€ thousand	Mar. 31, 2021	Dec. 31, 2020
Bonds	317,128	321,558
Loan liabilities	82,483	81,287
Lease liabilities	4,231	4,394
Noncurrent financial liabilities	**403,841**	**407,239**
Loan liabilities	41,216	96,325
Lease liabilities	1,446	1,434
Current financial liabilities	**42,662**	**97,759**
	446,503	**504,998**

The current loan liabilities were contributed by the shareholder Rebecca BidCo SARL in the amount of € 48,852 thousand as equity and offset against current financial receivables in the amount of € 6,866 thousand.

(13) Contract liabilities

€ thousand	Mar. 31, 2021	Dec. 31, 2020
Contract liabilities, noncurrent	76,461	78,544
Contract liabilities, current	105,668	100,296
Liabilities from customer prepayment receivables	6,506	6,084
	188,634	**184,924**

(14) Other current financial liabilities

With the merger of the former RENK AG with the Rebecca BidCo AG (in the meantime RENK GmbH) on February 15, 2021, the payment from the squeeze-out to the outside stockholders in the amount of €51,553 thousand was made.

Other disclosures

(15) Fair value disclosures

The RENK Group classifies financial instruments as follows:

- financial instruments at fair value;
- financial instruments at amortized cost; and
- financial instruments not assigned to an IFRS 9 measurement category.

The fair values were calculated based on the market conditions at the end of the reporting period and using generally accepted measurement methods. These are the prices at which one party would assume the rights or obligations from these financial instruments from an independent third party. The inputs for measuring fair value are largely unchanged compared to December 31, 2020.

With the exception of cash and cash equivalents and the bond, which are allocated to the fair value level 1, all other financial assets and liabilities measured at amortized costs are allocated to the fair value level 2. For the

(15) Fair value disclosures (Continued)

receivables in Level 3, the fair value is determined taking into account individual expected losses, which are based to a large extent on the company's assumptions regarding the creditworthiness of the counterparty.

Fair value hierarchy

The classification and reporting of the fair values of financial instruments are based on a fair value hierarchy that reflects the significance of the inputs used for measurement and breaks down as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within level 1 that are observable for an asset or liability either directly (as a price) or indirectly (derived from prices). The fair values of level 2 financial instruments are calculated based on the conditions at the end of the reporting period, such as interest rates or exchange rates, and using recognized models, such as discounted cash flow models or option pricing models.

Level 3: Inputs used for the measurement of the asset or liability not based on observable market data (unobservable inputs).

There were no reclassifications between levels 1 and 2 and no reclassifications into or out of level 3 as of March 31 in the 2021 and 2020 reporting periods.

The following tables show the classes of financial instruments included in statement of financial position items, broken down by the carrying amounts and fair values of financial instruments, and their allocation to the measurement categories as of March 31, 2021 and as of December 31, 2020:

	At fair value through other comprehensive income	At fair value through profit or loss	At amortized cost		Not assigned to an IFRS 9 measurement category	Statement of financial position item as of March 31, 2021
€ thousand	Carrying amount	Carrying amount	Carrying amount	Fair value	Carrying amount	
Noncurrent assets						
Other and financial investments	2,975	—	—	—	20,733	23,708
Other financial assets	—	—	4,533	4,533	—	4,533
Current assets						
Trade receivables	—	—	98,971	98,971	—	98,971
Contract assets	—	—	—	—	3,698	3,698
Other financial assets	—	5,744	18,215	18,215	—	23,959
Cash and cash equivalents	—	—	153,470	153,470	—	153,470
Noncurrent liabilities						
Noncurrent financial liabilities			399,610	416,963	4,231	403,841
of which bonds	—	—	*317,128*	*334,480*	—	—
of which loan liabilities	—	—	*82,483*	*82,483*	—	—
of which lease liabilities	—	—	—	—	*4,231*	—
Other financial liabilities	—	510	7	7	—	517
Current liabilities						
Current financial liabilities	—	—	41,216	41,216	1,446	42,662
Trade payables	—	—	52,057	52,057	—	52,057
Other financial liabilities	—	741	2,295	2,295	—	3,036

(15) Fair value disclosures (Continued)

€ thousand	At fair value through other comprehensive income	At fair value through profit or loss	At amortized cost		Not assigned to an IFRS 9 measurement category	Statement of financial position item as of December 31, 2020
	Carrying amount	Carrying amount	Carrying amount	Fair value	Carrying amount	
Noncurrent assets						
Other and financial investments	2,975	—	—	—	20,733	23,708
Other financial assets	—	37	5,555	5,555	—	5,592
Current assets						
Trade receivables	—	—	122,781	122,781	—	122,781
Contract assets	—	—	—	—	2,565	2,565
Other financial assets	—	545	24,596	24,596	—	25,141
Cash and cash equivalents	—	—	186,881	186,881	—	186,881
Noncurrent liabilities						
Noncurrent financial liabilities	—	—	402,845	416,919	4,394	407,239
of which bonds	—	—	*321,558*	*335,632*	—	
of which loan liabilities	—	—	*81,287*	*81,287*	—	
of which lease liabilities	—	—	—	—	*4,394*	
Other financial liabilities	—	225	7	7	—	232
Current liabilities						
Current financial liabilities	—	—	97,759	97,759	—	97,759
Trade payables	—	—	49,383	49,383	—	49,383
Other financial liabilities	—	85	52,929	52,929	—	53,014

Cash and cash equivalents, trade receivables, other financial assets, trade payables and miscellaneous financial liabilities predominantly have a short remaining term. Their carrying amounts as of the end of the reporting period therefore approximately match their fair value.

The future cash flows for derivative financial instruments without option components, such as currency forwards, are calculated using forward curves. The fair value of these instruments is the total of the discounted cash flows. The options on currency pairs are measured on the basis of standard option pricing models (Black-Scholes model).

Financial assets at fair value through other comprehensive income include equity shares of € 2,975 thousand for which the RENK Group exercises the option for measurement at fair value through other comprehensive income. In the context of recognition through other comprehensive income, the changes in fair value are recognized in equity after taking deferred taxes into account. A change in the significant, unobservable inputs has no significant effect on equity or profit after tax, either in isolation or combination.

The fair value measurement of the equity instruments in Level 3 is based in particular on the respective corporate planning and the company-specific discount rates. The pre-tax cost of capital rate used to determine the fair value remains unchanged at 7.65% as of March 31, 2021. A change in the significant, unobservable input factors does not have a material impact on equity or earnings after tax, either in isolation or in combination.

Financial assets and liabilities measured at fair value are level 2 of the fair value hierarchy with the exception of the other equity investment, which is level 3.

(16) Related party disclosures

Related parties as defined by IAS 24 are natural persons and companies that can be influenced by RENK Holding GmbH that can significantly influence RENK Holding GmbH or that are influenced by another related party of RENK Holding GmbH.

Rebecca BidCo SARL holds the shares in RENK Holding GmbH and therefore it, and its affiliated companies, are related parties of the RENK Group. Rebecca BidCo SARL is held by the “Triton V” fund, which is advised by the financial investor Triton.

(16) Related party disclosures (Continued)

Exchanges of goods and services between RENK and its related parties are conducted as at arm's length.

Loan transactions were processed in the following amounts with Rebecca BidCo SARL and its related parties in the current fiscal year:

€ thousand	2021 Jan. 1 to Mar. 31
Services rendered (income)	90
Services received (expense)	1,827

€ thousand	Mar. 31, 2021	Dec. 31,2020
Receivables	—	6,776
Liabilities	123,647	177,538

Related parties of RENK also include persons who can influence or be influenced by RENK Holding GmbH, such as the members of the management of RENK Holding GmbH, the members of the management of Rebecca BidCo SARL and the members of the management of RENK GmbH. Mr. Christian Hammel resigned from the Management Board of the former Renk AG with effect from January 31, 2021. He was succeeded by Mr. Winfried Vogl with effect from February 01, 2021.

In the reporting period, there were no significant changes with regard to transactions with related parties as compared to the consolidated financial statements as of December 31, 2020.

(17) Events after the end of the reporting period

As of May 1, 2021, Susanne Wiegand has succeeded Florian Hofbauer as CEO of the RENK Group.

Augsburg, 28th Mai 2021

RENK Holding GmbH
The Management

Claus von Hermann-*Spürck* Volker Stumpf

Audited Consolidated Financial Statements of RENK Holding GmbH (formerly Rebecca HoldCo GmbH) for the Short Fiscal Year from January 2, 2020 to December 31, 2020

Contents

Consolidated Income Statement

€ thousand	Note	2020 02.01.–31.12.
Sales revenue	**[6]**	**154,974**
Cost of sales		(119,661)
Gross profit		**35,313**
Other operating income	[7]	1,852
Net allowances on financial assets	[18]	(833)
Distribution expenses		(9,160)
General administrative expenses		(6,875)
Other operating expenses	[8]	(20,793)
Operating profit		**(496)**
Interest expense	[9]	(13,368)
Other financial result	[9]	378
Financial result		**(12,990)**
Profit before taxes		**(13,486)**
Income tax expense	[10]	(10,704)
Profit after tax		**(24,190)**
thereof attributable to shareholders of the parent company		*(22,147)*
thereof attributable to non-controlling interest		*(2,043)*

Consolidated Statement of Comprehensive Income

€ thousand	Note	2020 02.01.–31.12.
Profit after tax		**(24,190)**
Items not reclassified to profit or loss		
Remeasurements from defined benefit plans	[21]	1,321
Deferred taxes	[10]	1,428
		2,749
Items reclassified to profit or loss in the future		
Currency translation differences		(104)
		(104)
Other comprehensive income for the period		**2,645**
Total comprehensive income		**(21,545)**
thereof attributable to shareholders of the parent company		*(19,767)*
thereof attributable to non-controlling interest		*(1,779)*

Consolidated Statement of Financial Position

Assets

€ thousand	**Note**	**Dec. 31, 2020**
Intangible assets	[13] [14]	246,689
Property, plant and equipment	[13] [15]	295,983
Other and financial investments	[28]	23,708
Deferred tax assets	[10]	3,861
Other non-current financial assets	[19] [28]	5,592
Other non-current receivables	[19]	4,732
Non-current assets		**580,565**
Inventories	[16]	248,604
Trade receivables	[18] [28]	122,781
Contract assets	[17] [28]	2,565
Current income tax receivables		13,385
Other current financial assets	[19] [28]	25,141
Other current receivables	[19]	7,449
Cash and cash equivalents	[28]	186,881
Current assets		**606,806**
		1,187,371

Equity and liabilities

€ thousand	**Note**	**Dec. 31, 2020**
Subscribed capital		25
Capital reserves		221,903
Retained earnings		(24,190)
Cumulative other equity		2,645
Equity	**[20]**	**200,383**
Non-current financial liabilities	[23] [28]	407,239
Pension provisions	[21]	16,023
Deferred tax liabilities	[10]	83,382
Contract liabilities, non-current	[24]	78,544
Other non-current provisions	[22]	11,480
Other non-current financial liabilities	[25] [28]	232
Non-current liabilities and provisions		**596,900**
Current financial liabilities	[23] [28]	97,759
Income tax liabilities		652
Trade payables	[28]	49,383
Contract liabilities, current	[24]	106,380
Current income tax payables		496
Other current provisions	[22]	53,825
Other current financial liabilities	[25] [28]	53,014
Other current liabilities	[25]	28,578
Current liabilities and provisions		**390,087**
		1,187,371

Consolidated Statement of Changes in Equity

€ thousand	Subscribed capital	Capital reserves	Retained earnings	Revaluation from defined benefit plans	Currency transla-tion	Total equity of majority share-holders	Noncontrolling interests	Total equity
As of Jan. 2, 2020	—	—	—	—	—	—	—	—
Profit after tax	—	—	(22,147)	—	—	(22,147)	(2,043)	(24,190)
Cumulative other equity	—	—	—	2,485	(104)	2,381	264	2,645
Other comprehensive income after tax	**—**	**—**	**(22,147)**	**2,485**	**(104)**	**(19,766)**	**(1,779)**	**(21,545)**
Contribution Foundation RENK Holding GmbH	25	—	—	—	—	25	—	25
Contributions shareholders	—	221,903	—	—	—	221,903	—	221,903
Addition to basis of consolidation	—	—	—	—	—	—	51,553	51,553
Squeeze-out of non-controlling interests	—	—	(2,043)	264	—	(1,779)	(49,774)	(51,553)
As of Dec. 31, 2020	**25**	**221,903**	**(24,190)**	**2,749**	**(104)**	**200,383**	**—**	**200,383**

Consolidated Statement of Cash Flows

€ thousand	Note	2020 02.01.–31.12.
Cash and cash equivalents at beginning of period		—
Profit before taxes		(13,486)
Income taxes paid	[10]	(5,366)
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment	[13] [14] [15]	12,477
Write-downs / reversals other and financial investments		690
Change in provisions for pension obligations	[21]	(75)
Gains/losses from asset disposals	[14] [15]	(42)
Other non-cash expenses and income	[10]	(1,407)
Change in inventories	[16]	14,626
Change in receivables and contract assets	[17] [18] [19]	(7,110)
Change in (contract) liabilities	[24] [25]	6,336
Change in other provisions	[22]	(3,090)
Financial expenses	[9]	13,368
Cash flows from operating activities(1)		**16,922**
Payments to acquire property, plant and equipment and intangible assets	[14] [15]	(15,564)
Acquisition of subsidiaries	[13]	(503,366)
Proceeds from asset disposals		404
Cash flows from loans payable and restricted cash	[19]	(18,392)
Cash flows from investing activities		**(536,918)**
Equity contributions,		221,928
Borrowing of financial liabilities	[23]	487,964
Lease payments	[15] [23]	(384)
Interest cash outflows	[9]	(2,235)
Cash flows from financing activities		**707,273**
Effect of exchange rate changes on cash and cash equivalents		(395)
Change in cash and cash equivalents		**186,881**
Cash and cash equivalents at end of period	**[23]**	**186,881**
Cash flows from loans payable and restricted cash	[19]	18,392
Gross liquidity at end of period		**205,273**
Financial liabilities	[23]	(500,268)
Net liquidity at end of period		**(294,995)**

Notes to the Consolidated Financial Statements

Principles of Financial Reporting

(1) General principles

RENK Holding GmbH (formerly: Rebecca HoldCo GmbH, founded as SCUR-Alpha 1136 GmbH) domiciled in Munich (Germany) is registered with Munich Local Court under HRB 253885. The business address is Große Gallusstraße 18, c/o Triton Beratungsgesell-schaft GmbH, 60312 Frankfurt am Main. The company operates as a holding in the RENK Group. RENK develops, produces and distributes high-quality drive technology worldwide. Its divisions are Special Gear Units, Vehicle Transmissions, Standard Gear Units and Slide Bearings.

In the following, the RENK Holding GmbH Group is referred to as RENK or the RENK Group. The Group including non-consolidated subsidiaries and investments is referred to as the Renk Group.

RENK Holding GmbH, which is owned by the financial investor Triton, was founded in fiscal year 2020 on the basis of the direct 100 % interest in RENK FinCo GmbH (formerly: Rebecca FinCo GmbH, founded as SCUR-Alpha 1137 GmbH), which in turn has a 100 % interest in RENK AG (formerly: Rebecca BidCo AG) in line with section 290 (1) and (2) HGB is obliged to prepare consolidated financial statements for the first time. After the acquisition of the shares from Volkswagen Vermögensverwaltungs-GmbH, RENK AG with its subsidiaries has been included in the consolidated financial statements since October 2020. Due to the founding of the RENK Holding GmbH in the fiscal year, these consolidated financial statements do not include any prior-year disclosures.

RENK FinCo and RENK AG exercise the exemption provided by section 291 of the Han- delsgesetzbuch (HGB—German Commercial Code) and do not prepare its own consolidated financial statements or Group management report. Furthermore, the companies have made use of the exemption provision pursuant to Section 264 (3) of the German Commercial Code (HGB) and have therefore waived the disclosure of the annual financial statements and the preparation of the notes and management report.

These consolidated financial statements of RENK Holding GmbH for the short fiscal year from January 02 to December 31, 2020 were prepared in line with section 315e (3) of the German Commercial Code (HGB) in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as applicable in the European Union as per Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, and the supplementary provisions of the Articles of Association on April 26, 2021 and approved for submission to the shareholder by resolution of the management.

The consolidated financial statements have been prepared in Euro, the functional currency of the RENK Group. Unless stated otherwise, all figures are in thousands of Euro (€ thousand). Minor differences in totals or percentages can occur as a result of the commercial rounding of amounts.

(2) Consolidation and measurement of equity investments

(a) Equity investments

The equity investments of RENK Holding GmbH include subsidiaries and financial investments. All material domestic and foreign subsidiaries that RENK Holding GmbH controls directly or indirectly are included in the consolidated financial statements. Control exists when RENK Holding GmbH directly or indirectly has power over the potential subsidiary on the basis of voting or other rights, is exposed to positive and negative variable returns and can affect the amount of the variable returns on the basis of voting rights.

Interests in non-consolidated affiliated companies and financial investments are recognized under other equity investments.

(b) Basis of consolidation

Companies included

In addition to RENK Holding GmbH, the consolidated financial statements include the following wholly owned subsidiaries for the first time:

- RENK FinCo GmbH, Munich,
- RENK AG, Munich,

(2) Consolidation and measurement of equity investments (Continued)

- RENK France S.A.S., Saint-Ouen-l'Aumône, France,
- RENK Corporation, Duncan (SC)/USA,
- RENK Test System GmbH, Augsburg,
- RENK-MAAG GmbH, Winterthur, Switzerland
- RENK Systems Corporation, Camby (IN), USA
- Horstman Holdings Limited, Bath, UK,
- Horstman Defence Systems Limited, Bath, UK
- Horstman Inc., Sterling Heights (MI), USA

Companies not included

The subsidiaries not included in the consolidated financial statements are insignificant overall to the net assets, financial position and results of operations of the RENK Group. These subsidiaries are recognized in the consolidated financial statements at their respective cost, taking into account any impairment losses required.

Please see the corresponding note for a full list of shareholdings of the RENK Group.

(c) Financial investments

Financial investments are measured at fair value through profit or loss. For financial investments in equity instruments that are not held for trading and do not represent contingent consideration in a business combination, RENK exercises the option for measurement at fair value through other comprehensive income. Gains and losses from cumulative changes in value recognized in other comprehensive income are not reclassified to profit or loss on subsequent derecognition, e.g. when the equity investment is sold. Dividends from financial investments are recognized in profit or loss unless they represent a repayment of the cost.

(d) Currency translation

Transactions in foreign currencies are translated using the relevant exchange rates at the time of the transaction. In subsequent periods, monetary assets and liabilities are measured at the middle rate at the end of the reporting period; exchange rate differences are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. On initial recognition of an asset, an expense or income item that includes prepayments received or made, the exchange rate used is the rate at which the non-monetary items relating to the prepayments were translated at the date of the transaction.

The financial statements of companies from countries outside the euro area are translated into euro using the functional currency concept. The functional currency is determined by the primary economic environment, it is the respective local currency of the companies consolidated.

The financial statements are translated using the modified current rate method, according to which items in the statement of financial position—except equity—are translated using the rate at the end of the reporting period, while income statement items are translated using weighted average exchange rates. Equity is converted at historic rates. The resulting translation differences are recognized in other comprehensive income until the disposal of the subsidiary and reported as a separate item in equity.

(2) Consolidation and measurement of equity investments (Continued)

Overview of key exchange rates

	Middle rate Sep. 30, 2020	Average price 2020 01.01.–30.09.	Middle rate Dec. 31, 2020	Average price 2020 01.01.–31.12.
US dollar	1.17100	1.17943	1.22710	1.21700
Swiss franc	1.07965	1.07844	1.08020	1.08140
Pound sterling	0.91275	0.90888	0.89903	0.90624
Chinese yuan	7.97095	8.03253	8.02250	7.96020
Japanese yen	123.79000	124.50568	126.49000	126.28000

(3) Accounting principles

The presentation in the statement of financial position distinguishes between current and non-current assets and liabilities. Assets and liabilities are classified as current if they are due within one year or within the longer operating cycle. Deferred tax assets and liabilities and assets and provisions from defined benefit pension plans are shown as non-current items. The consolidated income statement has been prepared using the cost of sales method.

With the exception of certain items such as financial instruments at fair value and provisions for pensions and similar obligations, the consolidated financial statements are prepared on the basis of cost.

The consolidated financial statements are based on the financial statements of RENK AG and its consolidated subsidiaries, which are prepared using the same group-wide accounting policies.

(a) Revenue recognition

When control of an asset is transferred to the customer, the entity satisfies its performance obligation and the corresponding sales revenue can be recognized. The asset comprises contractually agreed goods and services. At contract inception it is determined whether the performance obligation is satisfied over time. If the requirements for this are not met, the performance obligation is satisfied at a point in time in line with agreed trade terms (“Incoterms”).

Performance obligations are recognized over time in the following cases:

- The services rendered that benefit the customer are consumed by the customer at the same time that the services are rendered.
- The assets created or processed are controlled by the customer during performance by the entity.
- The assets created have no alternative use for the entity and the entity has an enforceable right to payment by the customer for the performance completed to date.

Sales revenue from performance obligations fulfilled over time is accounted for using the percentage of completion method. RENK calculates the percentage of completion using the input method to estimate the costs incurred relative to the total expected costs. The contract costs incurred are the best measure of the satisfaction of performance obligations. If the expected costs exceed the expected sales revenue, the expected loss is immediately recognized in full as an expense by writing down capitalized assets and recognizing provisions if necessary.

Sales revenue is determined by the transaction price, which is equal to the expected consideration including possible variable remuneration components. If variable consideration has been agreed in a contract, sales revenue is estimated using the most likely amount method. Variable consideration is only taken into account in the transaction price if it is highly probable that it will arise. For multi-component contracts, the total transaction price is allocated to the individual, distinct performance obligations relative to the stand-alone selling prices.

(b) Operating expenses

Operating expenses are recognized when the service is utilized, expenses for advertising and sales promotion and other sales-related expenses are recognized at the time they are incurred. The cost of sales consists of

(3) Accounting principles (Continued)

costs of the products and merchandise sold. In addition to the direct material and manufacturing costs, production costs also comprise production-related overheads, including depreciation of production equipment.

Warranty provisions are recognized when the products are sold. Expenses for research are immediately recognized in profit or loss. Interest and other borrowing costs are recognized as expenses in the period in which they arise, with the exception of borrowing costs that are capitalized as part of the cost of qualifying assets. A qualifying asset is an asset that necessarily takes a period of at least a year to get ready for its intended use or sale.

(c) Intangible assets

Individually acquired intangible assets are carried at cost. Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

Intangible assets with a finite useful life are amortized on a straight-line basis over the following periods.

in years	
Software	3
Licenses and similar rights	Contractual terms of use
Customer relationships	15 to 30
Technologies	10 to 30
Brand	30

There is no amortization if the useful life cannot be determined. Instead, the intangible assets are tested for impairment basically at least once a year and impairment losses are recognized if necessary. This goodwill was assigned to the cash-generating units to test it for impairment. It is assigned to the place expected to benefit from the business combination from which the goodwill arose. In the fiscal year 2020, the goodwill was not tested for impairment as it is only based on a preliminary purchase price allocation. On the basis of these preliminary values, it is not possible to make a sufficiently precise allocation to the cash-generating units, which is mandatory for carrying out an impairment test. Beyond this, there were no indications of impairment as of the reporting date.

Expenses for the development of new products or series are capitalized when the new products or series are technically and economically feasible, are scheduled for internal use or for sale, the expenses can be measured reliably and sufficient resources to complete the development project are available. Development costs that do not meet these criteria and all research costs are recognized immediately in profit or loss. The capitalized development costs are amortized on a straight-line basis from the date of launch, typically over five to seven years. While a development project is still in progress, the amounts capitalized to date are tested for impairment at least annually.

(d) Property, plant and equipment

Property, plant and equipment are measured at historic cost less depreciation and impairment losses. Investment grants are deducted from cost. The cost of internally generated assets includes directly attributable production costs and pro rata production overheads. Where property, plant and equipment consist of material identifiable components with different useful lives, these components are recognized and depreciated separately.

Expenses for maintenance and repairs are recognized in profit or loss, unless they must be capitalized.

Property, plant and equipment are depreciated on a straight-line basis over their expected useful life. The useful lives of property, plant and equipment are reviewed at the end of each reporting period and adjusted if necessary. Depreciation is essentially based on the following useful lives:

in years	
Buildings	10 to 50
Improvements	5 to 33
Technical equipment and machinery	5 to 21
Other equipment, operating and office equipment	3 to 15

(3) Accounting principles (Continued)

(e) Leases

Under lessee accounting, the RENK Group's leases for property, plant and equipment are recognized as right-of-use assets and lease liabilities in the statement of financial position.

The lease liability is recognized at the amount of the future lease payments discounted at the incremental borrowing rate over the entire term of the lease. During the term of the lease, the lease liability is carried forward using the effective interest method and taking lease payments into account.

The right-of-use asset is recognized at the amount of the lease liability plus initial direct costs. In subsequent periods, the right-of-use asset is to be amortized on a straight-line basis over the term of the lease or the economic life, when this is shorter.

The right-of-use assets reported in the balance sheet are shown in the positions where the lease related assets would have been shown if the RENK Group had owned them. The right-of-use assets are therefore reported under non-current assets in property, plant and equipment as of the end of the reporting period.

The practical expedients applied for short-term and low-value leases mean that no right-of-use asset or lease liability is recognized for these leases. The lease payments for these are recognized in the income statement as an expense. Low-value leases are leases where the new value of the leased asset does not exceed € 5,000. Leases with a total term of up to 12 months are classed as short-term. The IFRS 16 accounting requirements are not applied to leases for intangible assets.

Many leases include extension and termination options. All relevant factors and circumstances that create an economic incentive to exercise or not exercise the option are taken into account when determining the lease terms. Optional periods are taken into account when determining the lease term if it is reasonably certain that the option will be exercised or not exercised.

To discount the lease liability, an incremental borrowing rate of the RENK Group is used in line with the currency area and the contract term. In the reporting period, the lease liabilities from new leases, contract modifications and changes in determining the term of the lease were discounted at a Group interest rate in a range between 3.13 % and 3.84 %.

Lessors distinguish between finance and operating leases on the basis of the distribution of the risks and opportunities from the asset. Assets from operating leases are carried at cost and depreciated to their residual value on a straight-line basis over the lease term. Impairment is recognized in the form of write-downs and adjustments to the lease installments. Lease payments received in the period are recognized as income in the income statement.

(f) Impairment

If there are indications that the carrying amounts of intangible assets, property, plant and equipment, other equity investments and financial investments or other receivables may be impaired, an impairment test is performed. Intangible assets with indefinite useful lives, capitalized development costs and goodwill are tested for impairment at least annually.

The recoverable amount of the asset in question is calculated to determine the extent of a possible impairment loss. The recoverable amount is the higher of the fair value less costs to sell and value in use.

The value in use is the present value of the expected cash flows determined on the basis of current planning by the management. This planning is based on expectations regarding future development of the various individual markets. Appropriate assumptions about macroeconomic trends (development of currency, interest and commodities prices) and historical developments are taken into account. The planning period covers a five-year period. Please see the forecast in the Management Report for information on the assumptions in the detailed planning period. Plausible assumptions on future developments are made for subsequent years. Planning assumptions are adjusted to take account of current knowledge.

The calculation of cash flows is based on expected growth rates for the markets in question. The cash flows estimate after the end of the planning period is based on a growth rate of up to 1 % p.a.

(3) Accounting principles (Continued)

A weighted average cost of capital before taxes (WACC) that reflects the market conditions is used as the discount rate. The discount rate is calculated on the basis of the interest rate for risk-free investments, a market risk premium and the borrowing rate and takes into account the specific peer group information for the beta factors and the debt-to-equity ratio. The underlying assumptions are reviewed on an ongoing basis and adjusted as necessary.

If a recoverable amount cannot be determined for an individual asset, the recoverable amount of the smallest identifiable cash-generating unit to which the asset in question can be assigned is determined. If the recoverable amount of an asset is lower than its carrying amount, an impairment loss on the asset is immediately recognized in profit or loss.

If an asset or cash-generating unit on which an impairment loss was recognized later has a higher recoverable amount, an impairment loss is reversed up to no higher than the amortized cost that would have resulted without the impairment. The impairment loss is reversed in profit or loss and is recognized in other operating income. The reversal of impairment losses on goodwill is not permitted.

The impairment tests at RENK are based on planning adjusted for the COVID-19-pandemic. For fiscal year 2020, impairment of € 690 thousand was taken on the carrying amount of investments in a non-consolidated subsidiary.

Please see "(i) Primary financial instruments" for information on impairment in connection with financial assets.

(g) Inventories

Inventories are measured at the lower of cost or net realizable value. Cost includes directly attributable production costs and pro rata fixed and variable production overheads. The allocated overheads are mostly determined on the basis of normal capacity utilization. Distribution expenses, general and administrative expenses and borrowing costs are not capitalized. Raw materials and merchandise are measured at weighted average cost.

With there are indications of a potential impairment, such as obsolescence, damage during storage or price changes, the net realizable value is calculated. If amortized cost exceeds net realizable value, then impairment is taken on inventories. If the reason for the impairment no longer applies in subsequent periods, the impairment loss on amortized cost is reversed.

(h) Contract assets and liabilities

When either party to a contract has satisfied its performance obligations, the entity must recognize a contract asset or a contract liability, depending on whether the entity has satisfied its performance obligation or the customer has paid. Unconditional rights to consideration must also be taken into account.

In the RENK Group, contract assets result from the satisfaction over time of performance obligations accounted for deploying input-based methods on the basis of costs incurred. Under this method, pro rata sales revenue and the cost of sales are reported in accordance with the progress achieved by the end of the reporting period. This is calculated based on the transaction price agreed with the customer and the expected contract costs. The percentage of completion is calculated as the proportion of the costs incurred by the end of the reporting period in the total forecast contract.

If the result of a performance obligation cannot be reliably determined, sales revenue is recognized only in the amount of the contract costs incurred. In the balance sheet, the revenues recognized under the percentage of completion method are shown in the contractual assets net of the prepayments received and the prepayments receivable.

Expected losses from performance of obligations over a period of time are recognized in full. In contractual assets, contract losses are recognized on a pro rata basis and provisions are formed for the remaining share of the expected contract losses.

Contract liabilities comprise prepayments received and the contra entry for unconditional customer prepayment receivables, i.e. liabilities from prepayments to be received.

(3) Accounting principles (Continued)

(i) Primary financial instruments

Financial instruments are agreements that give rise to a financial asset at one entity while at the same time giving rise to a financial liability or equity instrument at another. Regular way purchases and sales of financial instruments are recognized at the settlement date, i.e. the date on which the asset is delivered.

Primary financial instruments include, in particular, trade receivables, financial investments, securities, cash and cash equivalents, financial liabilities, trade payables and other financial liabilities. Primary financial instruments are carried at fair value less or plus transaction costs on initial recognition. This excludes financial instruments recognized at fair value through profit or loss and trade receivables that do not have significant financing components, which are recognized at transaction price in accordance with IFRS 15. Fair value on initial measurement is generally the transaction price, i.e. the consideration given or received.

On initial recognition, financial assets are classified as follows based on the business model applied and the structure of cash flows:

- at amortized cost;
- at fair value through other comprehensive income (debt instruments);
- at fair value through other comprehensive income (equity instruments);
- at fair value through profit or loss.

Financial liabilities are assigned to the following categories:

- at amortized cost;
- at fair value through profit or loss.

Subsidiaries that are not consolidated for reasons of materiality and financial instruments from rights and obligations under IFRS 15 "Revenue from Contracts with Customers" are not assigned to a measurement category under IFRS 9 "Financial Instruments", though the impairment provisions of IFRS 9 must be taken into account for the latter financial assets on account of an exemption.

Regarding financial assets (debt instruments) for which the cash flows at specified dates are solely payments of principal and interest (SPPI criterion), RENK exclusively intends to hold these to collect the associated cash flows. These financial assets are thus measured at amortized cost. The amortized cost of a financial asset or financial liability is the amount:

- at which the financial asset or financial liability is measured on initial recognition;
- less any repayments;
- less any recognized loss allowances, write-downs for impairment on or the uncollectibility of financial assets; and
- plus or minus the cumulative amortization of any difference between the original amount and the amount repayable on maturity (premium, discount) using the effective interest method.

In the RENK Group, the "Financial assets at amortized cost" category mainly comprises trade receivables, other financial assets and cash and cash equivalents. Non-interest bearing and low-interest-bearing receivables with a remaining term of more than twelve months are discounted by discounting the future cash flows at the market rate.

The credit risk of financial assets at amortized cost and contract assets under contracts with customers is taken into account by the recognition of Group-wide loss allowances for expected credit losses (expected credit loss model) and by recognizing impairment for the losses already incurred. A potential impairment is assumed not just if certain circumstances apply—such as late payments over a certain period, the initiation of enforcement measures, imminent insolvency or over-indebtedness, application for insolvency proceedings or failure of restructuring measures—but also for receivables not past due. In addition to the above objective indications, the length of time payments are past due is also taken into account in assessing increases in credit risk.

(3) Accounting principles (Continued)

To calculate loss allowances, insignificant receivables and significant individual receivables without evidence of impairment are grouped into homogeneous portfolios based on common credit risk characteristics and broken down by risk class. Average historical probabilities of default in conjunction with the future parameters of the respective portfolio are used to calculate the amount of impairment.

Impairment for expected credit losses is calculated using a general approach based on the allocation of financial assets to the following stages:

Level 1:

For financial assets for which the risk of default has not increased significantly since initial recognition, a loss allowance is recognized for expected cash shortfalls within the next twelve months after the end of the reporting period.

Level 2:

For financial assets for which the objective risk of default has increased significantly at the end of the reporting period compared to the initial risk, such as significant financial difficulties of the debtor, default or overdue, a loss allowance is recognized for the lifetime expected credit losses of the financial instrument. The entity must obtain extensive and forward-looking information to assess a significant increase.

Level 3:

If there is objective evidence of impairment since the last reporting date, the financial assets are stage 3 and loss allowances are recognized on the basis of expected losses for their entire remaining term.

Regardless of the stages of the general approach described above, a loss allowance is recognized over the entire term of financial assets from the time of their addition if there is already objective evidence that they are credit-impaired on initial recognition.

The gross carrying amount of financial assets is written down if there is no valid expectation that the obligor will settle its liability in full or in part or that collateral can be realized, e.g. on the opening of insolvency proceedings or the failure of restructuring measures.

Loss allowances on trade receivables and contract assets are recognized in accordance with the simplified approach of IFRS 9. Under this method, the expected credit losses over the total remaining term of receivables and contract assets are calculated on the basis of a provision matrix with rates graded depending on the number of days that a receivable is past due. These rates are based on historical loss rates and forward-looking factors.

The following impairment table was used to calculate the risk provisions under the simplified impairment model:

				Overdue
	not overdue	**1–30 days**	**31–90 days**	**> 91 days**
Loss allowance rate	**0.05%**	**0.75%**	**1.75%**	**3.40%**

If there is objective evidence of individual impairment, the provision matrix is disregarded and a specific valuation allowance is recognized on trade receivables in the amount of the losses already incurred in line with stage 3 of the general approach.

Bad debt allowances on receivables are usually recognized in a separate allowance account. They are derecognized at the same time as the corresponding impaired receivable.

Financial assets at fair value through other comprehensive income include financial investments (equity instruments) for which the RENK Group exercises the irrevocable option for measurement at fair value through other comprehensive income. In the context of recognition through other comprehensive income, the changes in fair value after taking deferred taxes into account and all foreign exchange components are recognized in accumulated other comprehensive income. Reclassification to profit or loss when the financial

(3) Accounting principles (Continued)

asset is sold is not permitted, and instead reclassification is to retained earnings on disposal of the equity investment. Any dividends are recognized in profit or loss unless they represent a repayment of the cost.

With the exception of derivative financial instruments, financial liabilities are subsequently measured at amortized cost.

Financial assets and liabilities are reported at their gross value. They are only offset when this is legally enforceable for RENK at the current time and it actually intends to offset them.

Central finance management across the RENK Group is performed by RENK AG.

Cash for the RENK Group operating units is essentially managed centrally by RENK AG as part of cash pooling. Here the account balances of RENK AG and its consolidated subsidiaries are generally combined on a daily basis. In this way, RENK AG manages and guarantees the RENK Group's liquidity and credit supply.

(j) Derivative financial instruments

The RENK Group uses derivative financial instruments to hedge foreign currency, interest rate and other price risks that can mainly arise from operating activities. The most important derivative financial instruments for RENK are currency forwards and options.

Derivative financial instruments are measured at fair value on initial recognition and at the end of each subsequent reporting period. Derivative financial instruments are recognized on the trade date. Gains and losses from measurement at fair value are recognized in profit or loss.

The fair value for listed derivatives is their positive or negative market value, taking counterparty risk into account as applicable. If no quoted market prices are available, fair values are calculated based on the conditions at the end of the reporting period, such as interest rates or exchange rates, and using recognized models, such as discounted cash flow models or option pricing models.

In the framework of the central financial management at the RENK Group, the hedging transactions of the Group companies are performed by RENK AG and charged on to the companies.

(k) Income tax expense

Tax liabilities include current income tax liabilities.

Deferred taxes are reported in separate items of the statement of financial position and the income statement. Provisions for potential tax risks are recognized based on the best possible estimate. The likely amount of the tax arrears payment is used as a basis for recognized income tax items.

Deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and the tax basis, for temporary differences in profit or loss arising on consolidation and tax loss carryforwards. Tax effects from distributions of profit are recognized as deferred taxes only when the appropriate of earnings resolution has been passed. Deferred taxes are measured at the prevailing tax rate at the end of the reporting period or the future tax rate highly likely to be used.

Deferred tax assets are recognized only to the extent that taxable profit will be available for the utilization of the deductible temporary differences or the tax loss carryforwards. Deferred tax assets are usually subsequently measured based on future taxable income for a planning period of five fiscal years.

Deferred tax assets are offset against deferred tax liabilities if they relate to the same taxation authority and to the extent that their maturities match.

Changes in deferred taxes in the statement of financial position lead to deferred tax expense or income. If the change in deferred taxes results from items recognized directly in equity, the change in deferred taxes is also recognized directly in equity.

(l) Pensions and similar obligations

Pension obligations from defined benefit plans are calculated using the projected unit credit method. The future benefit obligations are measured on the basis of the benefits accrued pro rata by the end of the reporting

(3) Accounting principles (Continued)

period and discounted to present value. Their measurement reflects assumptions about the future development of certain parameters that affect the future level of benefits.

Provisions for pension obligations are reduced by the fair value of the plan assets held to cover the pension obligations. If plan assets exceed obligations, the excess is only recognized in other assets if it will result in a refund from the plan or a reduction of future contributions.

The service cost, which represents the benefits of active employees accumulated in accordance with the benefit plan in the fiscal year, is reported in functional expenses. Net interest income and expenses are calculated by multiplying the net asset or net liability by the discount rate and are included in interest expense.

Remeasurements of the net asset or net liability include actuarial gains and losses arising from differences between the actuarial assumptions used and the actual trends, changes in actuarial assumptions and the return on plan assets, not including amounts included in net interest income or expenses. Remeasurements are recognized net of deferred taxes in equity.

Payments for defined contribution plans are recognized in functional expenses.

(m) Other provisions

Other provisions are recognized for all identifiable risks and uncertain obligations resulting from past events that will probably lead to a future outflow of resources and whose amount can be reliably estimated. They are measured at the best estimate of the expenditure required to settle the obligation. The provision is carried at its net present value where the time value of money is material. The discount rate is based on market interest rates.

A reimbursement of third parties anticipated in connection with a provision is recognized as a separate asset if its realization is as good as certain. Provisions are regularly reviewed and adjusted as further information develops or circumstances change. If a change in an estimate results in a reduction of the obligation, the provision is reversed accordingly and the income is recognized in the corresponding functions or in other operating income.

Provisions for warranties are recognized at the time of sale of the products concerned or the performance of the relevant service. Their measurement is primarily based on historical experience. Individual provisions are also recognized for known losses. Provisions for restructuring measures are recognized when the Group has produced a detailed, formal plan of measures containing information on the division affected, the estimated number of employees and a cost estimate and the parties concerned or their representatives have been informed accordingly. Provisions for outstanding costs and other commitments are measured on the basis of services yet to be performed, usually in the amount of the production costs expected to be incurred. Provisions for anticipated losses from onerous contracts are recognized when the expected benefit resulting from the contract is less than the unavoidable costs to fulfill the contract.

(n) Contingent liabilities

If the criteria for forming a provision are not satisfied, but the outflow of financial resources is not remote, then these obligations are stated in the notes to the consolidated financial statements. Contingent liabilities are recognized if the obligations have become more specific, i.e. the outflow of resources has become probable and their amount can be reliably estimated.

(o) Business Combinations

The acquisition method was used to account for the business combinations. The consideration transferred for the acquisition of a subsidiary comprises:

- the fair values of the assets transferred,
- the liabilities incurred by the former owner of the operation acquired and
- the equity interests issued by the Group.

(3) Accounting principles (Continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed as part of the business combination are initially measured at fair value at the acquisition date. Costs related to acquisitions are recognized as an expense.

The excess of the consideration transferred over the fair value of the identifiable net asset acquired is recognized as goodwill.

(p) Estimates and judgments

When preparing consolidated financial statements, to a certain extent assumptions and estimates are made that affect the amount and reporting of the recognized assets and liabilities, income and expenses and information on contingent assets and liabilities in the reporting period. The estimates were made on the basis of past experience and other relevant factors, including the assumption of going concern. All estimates and assumptions are made to the best of knowledge and belief to provide a true and fair view of the net assets, financial position and results of operations of the Group. Any uncertainty is adequately reflected in valuations, although future events can still differ from these estimates and have a material effect on the net assets, financial position and results of operations of the RENK Group. Estimates and judgments are reviewed on an ongoing basis.

The assumptions made regarding the following matters as of the end of the reporting period are of particular significance:

Estimates of the useful life of depreciable assets are based on past experience. If, in the context of the review of useful life, a change is made in estimates, the remaining useful life is adjusted and any impairment loss is recognized.

Recognizing the leases in the form of a right-of-use asset and a lease liability requires estimates on the lease term of the relevant lease components. It must be assessed whether it is reasonably certain that the contractually agreed extension, termination and call options will be exercised. The estimate for the initial recognition of the lease components determines the amount of the lease liability and thus the right-of-use asset. Changes to the estimate in subsequent periods result in a change to the residual values of statement of financial position items related to leases.

Individual performance obligations are accounted for over time using the percentage of completion method. Sales revenue is accounted for using the percentage of completion method. This method places considerable importance on accurate estimates of the percentage of completion. Depending on which method is used to determine the percentage of completion, significant estimates include contract revenue, total contract costs, the remaining costs to completion, contract risks and other assessments. The management of the operating units is continuously reviewing the estimates for such performance obligations and adjusts them as necessary.

Estimates, especially for variable remuneration components, are required to calculate the transaction price as the expected consideration in exchange for the transfer of goods and services. The variability relates to the claim actually arising and to the amount of the claim. The single most likely amount in a range of possible contractual consideration amounts is selected as the most likely amount. In addition, some or all of the variable consideration component is only included in the transaction price to the extent that it is highly probable that a significant reversal of the revenue recognized will not occur. This assessment of probabilities and the restriction of variable remuneration components is based on management estimates.

Determining impairment of financial assets requires estimates of the level and probability of occurrence of future events. As far as possible, estimates are derived from past experience.

Pensions and similar obligations are measured using actuarial methods. These are mainly based on assumptions relating to discount rates, salary and pension trends and mortality. These actuarial assumptions can differ significantly from actual developments due to changes in market and economic conditions and therefore lead to a substantial change in pensions and similar obligations. The underlying assumptions are presented in the "Pensions and similar obligations" section.

As the Group operates in several countries, it is subject to different tax laws. The expected current income taxes and the deferred tax assets and liabilities must be calculated for each taxable entity. This requires, among

(3) Accounting principles (Continued)

other things, assumptions about the interpretation of complex tax regulations and the ability to generate sufficient taxable income within the respective tax type and jurisdiction. If these assumptions differ from the actual outcome of such tax uncertainties, this can affect tax expenses and deferred taxes. The best estimate of the expected tax payment is used for recognized uncertain income tax positions.

Depending on the matter at hand, the measurement of other provisions and similar obligations is complex at times and entails estimates to a considerable extent. The assumptions made by management with respect to the timing and amount of utilization are based, among other things, on historical data, available technical data, estimates of cost trends and potential warranty claims, discount rates and possible recoverable amounts. Litigation and other legal proceedings simultaneously give rise to complex legal issues and are subject to many difficulties and uncertainties. A provision is recognized for this if it is likely that, in connection with these proceedings, a liability has been incurred that will probably lead to an outflow of resources and its amount can be reliably estimated. Assessing whether a present obligation as of the end of the reporting period is as a result of a past event, whether a future outflow is likely and whether the obligation can be estimated reliably requires considerable judgment and significant estimates by management. Future events and developments as well as changes in estimates and assumptions can lead to an amended assessment at a future date. Additional expenses that can have a material effect on the net assets, financial position and results of operations of RENK thus cannot be completely ruled out. Changes in contractual or actual circumstances are monitored and assessed as regards the potential impact on the amount and reporting of the recognized assets and liabilities, income and expenses and information on contingent assets and liabilities in the reporting period. Developments in these general conditions that deviate from assumptions and are beyond management control can cause amounts to differ from the original estimates.

With the approval of the extraordinary stockholders' meeting for the squeeze-out under merger law and the filing of the merger in the commercial register on December 22, 2020, the conditions are met for accounting the merger of the former RENK AG, Augsburg, and the former Rebecca BidCo AG, Munich, and the squeeze-out. As a result, as of this date, a financial liability to the minority stockholders in the amount stipulated in the squeeze-out opinion is recognized instead of the minority interest. The merger of former RENK AG into former Rebecca BidCo AG triggers real estate transfer tax for RENK AG's real property. Due to the registration in the commercial register in 2020, the merger is unstoppable and thus the real estate transfer tax has to be expensed in the reporting year. The amount currently recognized represents the best estimate as of the reporting date. The financial liability recognized may still change as a result of the court proceedings.

(4) Statement of cash flows

In the statement of cash flows, cash flows are divided into cash flows from operating activities, cash flows from investing activities and cash flows from financing activities. The effects of changes in the basis of consolidation and exchange rates are eliminated in the respective positions. The effect of exchange rate changes on cash and cash equivalents is reported separately.

Cash flows from operating activities are calculated using the indirect method. Noncash operating expenses and gains/losses from asset disposals are therefore eliminated in cash flows from operating activities.

Besides additions to tangible assets, intangible assets and to business acquisitions, the cash flow from investing activities also includes deposits of financial investments. Proceeds from these items are offset against each other.

The cash flow from financing activities consist of the following cash transactions: equity contributions, lease payments, the borrowing and repayment of financial liabilities.

The cash and cash equivalents shown in the cash flow statement correspond to the "Cash and cash equivalents" item in the balance sheet.

(5) New and revised accounting pronouncements and methods

(a) Impact of new and revised IFRSs

RENK has implemented all accounting standards endorsed by the EU and effective for financial periods from January 1, 2020.

(5) New and revised accounting pronouncements and methods (Continued)

(b) New and revised IFRSs not adopted

RENK did not adopt the following accounting standards that have been adopted by the IASB but that are not yet effective for the fiscal year in the 2020 consolidated financial statements.

Standard/ Interpretation		Published by IASB	Mandatory application	Endorsed by	Expected impact
IFRS 3 . .	Amendments to Business Combinations	May 14, 2020	Jan. 1, 2022	No	No impact
IFRS 4 . .	Amendments to Insurance Contracts	August 27, 2020	Jan. 1, 2021	Yes	No impact
IFRS 17. .	Insurance Contracts; including amendments to IFRS 17	May 18, 2017 June 25, 2020	Jan. 1, 2023	No	No impact
IFRS 9 . . IAS 39 IFRS 7 IFRS 4 IFRS 16	Interest Rate Benchmark Reform (Phase 2)	August 27, 2020	Jan. 1, 2021	Yes	No impact
IAS 1. . . .	Change to assessment criteria for classification of liabilities as current or non-current	January 23, 2020 July 15, 2020	Jan. 1, 2023	No	No impact
IAS 16. . .	Amendments to Property, Plant and Equipment	May 14, 2020	Jan. 1, 2022	No	No material impact
IAS 37. . .	Amendments to Provisions, Contingent Liabilities and Contingent Assets	May 14, 2020	Jan. 1, 2022	No	No material impact
	Improvements to International Financial Reporting Standards 2018-2020	May 14, 2020	Jan. 1, 2022	No	No impact

Notes to the Consolidated Income Statement

(6) Sales revenue

€ thousand	2020 02.01.−31.12.
Germany	41,698
Other EU countries	45,048
Asia	44,647
Americas	14,112
Other European countries	7,723
Australia and Oceania	548
Africa	1,199
	154,974

(6) Sales revenue (Continued)

All recognized sales revenue results from contracts with customers. The performance obligations extend to all products in the RENK Group's product range. The RENK Group typically recognizes revenue at a point in time. The Vehicle Transmissions segment includes revenue recognized over a period of time of € 9,166 thousand.

RENK uses standard international trade terms (Incoterms) to demonstrate the performance of its obligations, whereby all groups are applied and allocation to a specific product group is not possible.

In addition to the usual payment terms of a maximum of 90 days after performance, the terms of payment also include (pro rata) prepayments.

The unfulfilled or partially unfulfilled performance obligations under contracts with customers are included in the order backlog at a transaction price of € 1,030,254 thousand as of December 31, 2020. The recognition of the corresponding sales revenue is expected in the following fiscal years:

			Dec. 31, 2020
€ thousand	**2021**	**2022 to 2027**	**>2027**
Transaction price of remaining performance obligations	487,022	479,551	63,681

(7) Other operating income

€ thousand	**2020 02.01.−31.12.**
Income from exchange rate changes and derivatives	1,349
Prior-period income	161
Income from reversal of provisions	131
Income from asset disposals	47
Other income	165
	1,852

Please see "Other non-current and current provisions" for information on income from the reversal of provisions.

Income from exchange rate changes and derivatives includes gains from exchange rate changes between the origination and payment date of receivables and liabilities in foreign currency and realized and unrealized price gains from the measurement of derivatives.

(8) Other operating expenses

€ thousand	**2020 02.01.−31.12.**
Incidental costs of business combination	16,271
Personnel expenses	1,621
Addition to miscellaneous other provisions	740
Expenses from exchange rate changes and derivatives	346
Bank fees	93
Other expenses	1,722
	20,793

Other operating expenses comprise the expenses not allocated to functional expenses, in particular the cost of sales.

The cost of business combination comprises consulting expenses and costs for export opinions, insurance fees and other taxes in connection with the acquisition of the interest in RENK AG.

(9) Interest expense and other financial result

Interest expense

€ thousand	2020 02.01.–31.12.
Interest expenses on bonds	10,331
Loan interest	1,820
Guarantee commissions	929
Interest cost on provisions and liabilities	69
Other interest and similar expenses	219
	13,368

The effect of changes in the discount rate for liabilities and other provisions resulted in an expense of € 8 thousand in fiscal year 2020 and is included in interest expense.

The interest cost on provisions and liabilities includes interest expenses from lease liabilities in the amount of € 43 thousand.

Other financial result

€ thousand	2020 02.01.–31.12.
Income	
Income from dividends	605
Income from measurement effects	106
Other interest and similar income	357
Expenses	
Expenses from write-downs on equity investments	(690)
	378

(10) Income tax expense

€ thousand	2020 02.01.–31.12.
Current taxes	
Germany	(1,021)
Outside Germany	1,030
Deferred taxes	
Germany	10,957
Outside Germany	(260)
	10,704

The tax expense forecast for fiscal year 2020 results from applying the domestic tax rate of 31.85 % for the 2020 assessment period to the profit before tax. This tax rate takes into account German municipal trade tax of 16.02 %, the German corporate income tax of 15.00 % and the solidarity surcharge of 5.50 % of corporate income tax.

For the RENK Group, a weighted Group tax rate was calculated on the basis of the earning amounts and tax rates of the individual Group companies. The Group tax rate as of December 31, 2020 was 30.00 %. Local tax rates for foreign companies range from 19.00 % to 28.00 %.

(10) Income tax expense (Continued)

Reconciliation of forecast to current income taxes:

€ thousand	2020 02.01.–31.12.	%
Profit before taxes	**(13,486)**	**100**
Forecast tax expense	**(4,050)**	**30.0**
Difference due to changes in tax rates	40	0
Tax-exempt income	(357)	3
Non-deductible expenses	186	(1)
Effects from permanent accounting deviations	8,891	(66)
Effects from incidental costs of business combination	5,553	(41)
Taxes for previous years and other	442	(3)
Current tax expense	**10,704**	**(79)**

Current tax income includes prior-period income tax of € 221 thousand.

The deferred tax assets on the remeasurement of pension plans are recognized directly in the other comprehensive income. Higher deferred tax expense relates to the reclassification of unrealized gains and losses from pension assets from the "taxable" category to the "tax-exempt" category. In the reconciliation calculation, this effect is shown in the permanent accounting deviations.

Deferred taxes are attributable to the following items:

€ thousand	Dec. 31, 2020
Deferred tax assets	
Intangible assets	20
Other equity investments and financial investments	185
Inventories	12,271
Receivables and other assets	537
Pensions and similar obligations	11,291
Liabilities and other provisions	7,447
Loss carryforwards	523
Gross amount	**32,275**
Offset	(28,413)
Carrying amount in statement of financial position	**3,861**

In the financial year, deferred tax assets were recognized on unused tax losses in the amount of € 523 thousand. Based on the expected future business development at the time of preparation of the consolidated financial statements and based on the tax planning, it is assumed that this tax claim will be realized within the

(10) Income tax expense (Continued)

corresponding period in which the losses can be utilized. There are no other tax loss carryforwards for which deferred tax assets could be recognized.

€ thousand	Dec. 31, 2020
Deferred tax liabilities	
Intangible assets	61,498
Property, plant and equipment	28,986
Other equity investments and financial investments	2,581
Inventories	263
Receivables and other assets	3,812
Liabilities and other provisions	14,654
Gross amount	**111,794**
Offset	(28,413)
Carrying amount in statement of financial position	**83,382**

In connection with investments in subsidiaries there are temporary differences for which deferred tax liabilities are recognized in the amount of € 245 thousand.

Deferred taxes on retained earnings of foreign subsidiaries amounting to € 69,450 thousand are not calculated, as these earnings are largely to be used in the companies. Distributions would generally result in additional tax expense.

(11) Other income statement disclosures

The cost of sales includes research and development costs of € 5,152 thousand.

Staff costs break down as follows:

€ thousand	2020 02.01.–31.12.
Wages and salaries	42,136
Social security and post-employment expenses	10,382
	52,518

Personnel expenses in the amount of € 42,109 thousand are included in the cost of sales, € 6,414 thousand in the selling expenses, and €3,995 thousand in the administrative expenses.

RENK employed 2,433 persons on average over the year. Of these, 1,341 worked directly and 1,092 indirectly in production. There were 34 employees in the non-active phase of early retirement. On average, 107 people were in vocational training.

Short-term leases of € 56 thousand and low-value leases of € 59 thousand were recognized directly as an expense in the reporting period as part of the exemption for capitalizing leases. Low-value leases comprise exclusively long-term contracts.

(12) Total remuneration for work by the auditor

On December 16, 2020 the shareholder's meeting of RENK Holding GmbH selected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart (EY) as statutory auditor for the 2020 consolidated financial statements.

(12) Total remuneration for work by the auditor (Continued)

The table below shows the fees charged for the work of the auditor EY GmbH network in fiscal year 2020:

€ thousand	2020 02.01.–31.12.
Audit of the financial statements	133
Other assurance services	2
Tax advisory services	150
Other services	7
Auditor remuneration	**292**

Audit services comprise the audit of the consolidated financial statement of the RENK Holding GmbH and the IFRS-Audit and IFRS-Review of individual subsidiaries as well as the initial audit of the Treasury systems at RENK AG.

Notes to the Consolidated Statement of Financial Position

(13) Business combination

With effect from October 6, 2020, the share purchase agreement concluded on January 30, 2020 between Rebecca BidCo AG (formerly: Rebecca BidCo GmbH), an indirect 100 % subsidiary of RENK Holding GmbH, and Volkswagen Vermögensverwaltungs-GmbH, Wolfsburg, and the acquisition of the shares tendered in the context of the voluntary public takeover bid March 10, 2020, was completed. On this day, Rebecca BidCo AG informed RENK AG that it now disposed over more than 90 % of the share capital. On October 7, 2020, Rebecca BidCo AG notified RENK AG of its request to have the RENK AG Annual General Meeting in accordance with section 62(1) and (5) German Transformation Act (UmwG) in connection with section 327a(1) sentence 1 AktG on the transfer of the shares of the other shareholders (non-controlling interests) to Rebecca BidCo AG against payment of an appropriate cash compensation, resolve the merger of RENK AG and Rebecca BidCo AG (a squeeze-out in terms of merger law). On November 16, 2020, Rebecca BidCo AG informed RENK AG that the cash settlement had been determined at € 105.72 per share. The Extraordinary General Meeting of RENK AG on December 22, 2020 approved the squeeze-out in terms of merger law. The merger became effective with the entry into the Commercial Register on February 15, 2021. The retroactive merger date was January 1, 2020. With the completion of the merger, Rebecca BidCo AG was renamed RENK Aktiengesellschaft. The aim of this acquisition is the strategic expansion of the portfolio of the financial investor TRITON.

The purchase price for RENK AG, which consists of the acquisition from Volkswagen Vermögensverwaltungs-GmbH and the takeover bid in connection with the merger, amounts to € 625 million. Using the full goodwill method, i.e., recognizing the full goodwill by projecting the price per share according to the squeeze-out opinion, the entire preliminary goodwill from the acquisition of the former RENK AG and the non-controlling interests of € 52 million (€ 105.72 price per share multiplying with 487,636 shares) were balanced as of the acquisition date. The amount of the non-controlling interests equals the Fair Value. After the Extraordinary Stockholders' Meeting approved the squeeze-out under merger law and after this was filed with the Commercial Register, the non-controlling interests were recognized in the other financial liabilities.

At the time of the acquisition, the former RENK Group comprised the following companies:

- RENK AG, Munich,
- RENK France S.A.S., Saint-Ouen-l'Aumône, France,
- RENK Corporation, Duncan (SC)/USA,
- RENK Test System GmbH, Augsburg,
- RENK-MAAG GmbH, Winterthur, Switzerland
- RENK Systems Corporation, Camby (IN), USA
- Horstman Holdings Limited, Bath, UK,

(13) Business combination (Continued)

- Horstman Defence Systems Limited, Bath, UK
- Horstman Inc., Sterling Heights (MI), USA

In addition, the following company shares were acquired, but are not included in the basis of consolidation and will also not be included in the future as they are insignificant to the RENK Group's assets, financial position and results of operations:

- RENK Transmisyon Sanayi A.S., Istanbul, Turkey,
- COFICAL RENK MANCAIS DO BRASIL LTDA, Guaramirim, Brazil,
- RENK Shanghai Service and Commercial Co., Ltd. Shanghai, China,
- RENK Gears Private Ltd., Bangalore, India,
- Schelde Gears B.V., Vlissingen, Netherlands,
- Horstman Systems Inc., Woodbridge, Ontario, Canada,
- RENK Holding Canada Inc., Toronto, Ontario, Canada,
- RENK (UK) Ltd., London, UK.

For a complete presentation of the shares, please see the full list of shareholdings.

The acquisition was carried out as part of a share deal with a subsequent merger with the acquiring Group-Company. The following fair values of the assets and liabilities acquired have been included in these consolidated financial statements by taking into account a preliminary purchase price allocation. At the time of preparation, the purchase price allocation process had not yet been completed due to the high complexity, the specific features of the business model of the acquired companies and the more difficult conditions resulting from the COVID-19-Pandemic.

Mio €	
Purchase price	625
Non-controlling interests	52
Intangible Assets	212
Property, plant and equipment	290
Other purchased net assets	135
Preliminary Goodwill	**39**

The values balanced in the intangible and tangible assets include the following identifiable assets (the ranges within which the fair values are expected to lie after finalization of the purchase price allocation based on current knowledge are shown in parentheses): Technology (€ 65 million to € 85 million), trademark rights (€ 30 million to € 40 million), customer base (€ 30 million to € 55 million), order backlog (€ 30 million to € 55 million) and tangible assets (€ 280 million to € 330 million). The recognition of the preliminary goodwill reflects the know-how of the workforce and future sales potential.

Other net assets acquired include mainly the following assets and liabilities: Inventories € 260 million, Trade accounts receivable € 104 million, cash and cash equivalents € 122 million, contractual liabilities € 185 million, pension provision € 17 million and other provisions € 68 million.

The acquired trade accounts receivable (€ 104 million) and the contractual assets (€ 3 million) include risk provisions totaling € 1 million. At the acquisition date, both the trade accounts receivable and the contractual liabilities were classified as fully collectible.

In the period from October to December 2020, the former RENK Group contributed € 155 million to the Group-sales and € 8 million to the earnings after taxes. If the acquisition had already taken place on January 1, 2020, additional sales of € 395 million and additional earnings after taxes of € 32 million would have had to be taken into account. Taking into account the depreciation and deferred taxes from the preliminary purchase price allocation, this results in an additional charge of € 3 million to the earnings for the months October to December, if the acquisition had already taken place at the beginning of 2020, further € 10 million would have

(13) Business combination (Continued)

had to be recognized as a reduction to the earnings. The Group incurred costs of € 16 million for legal and due diligence services in connection with the business combination. These costs are recognized in full in the other operating expenses.

(14) Intangible assets

€ thousand	Licenses, software and similar rights	Goodwill	Other intangible assets	Total
As of Jan. 2, 2020	—	—	—	—
Additions	415	—	—	415
Reclassifications	114	—	—	114
Disposals	(38)	—	—	(38)
Depreciation/amortization	(874)	—	(4,269)	(5,143)
Cumulative depreciation/amortization on disposals	38	—	—	38
Addition to basis of consolidation	39,818	39,018	172,500	251,336
Currency adjustment	(35)	—	1	(34)
As of Dec. 31, 2020	**39,438**	**39,018**	**168,232**	**246,689**
Gross carrying amount on Dec. 31, 2020	40,257	38,018	172,500	250,775
Cumulative depreciation/amortization and impairment losses	(819)	—	(4,268)	(5,087)

Amortization of intangible assets is included in the functional expenses, in the cost of sales in particular.

The addition to the basis of consolidation relates to the initial consolidation of the former RENK Group. Due to the fact that the purchase price allocation has not yet been completed, the addition to the basis of consolidation includes preliminary values. As a result of the preliminary purchase price allocation, impairments of € 4.731 thousand are included in the intangible assets. Please refer to the section “Business combination”.

(15) Property, plant and equipment

€ thousand	Land and buildings	Right-of-use assets on land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Right-of-use assets on other equipment, operating and office equipment	Prepayments and assets under construction	Total
As of Jan. 2, 2020	—	—	—	—	—	—	—
Additions	1,516	231	3,119	3,005	68	7,479	15,418
Reclassifications	1,188	—	4,730	(1,975)	—	(3,998)	(55)
Disposals	(19)	(157)	(1,174)	(909)	(60)	(212)	(2,531)
Depreciation/ amortization	(1,075)	(331)	(4,450)	(1,226)	(73)	—	(7,155)
Impairment losses	—	—	(178)	—	—	—	(178)
Reclassifications depreciation and amortization	124	—	(4)	(119)	—	—	1
Cumulative depreciation/amortization on disposals	4	—	1,131	1,085	57	—	2,277
Addition to basis of consolidation	106,572	5,750	139,047	14,479	299	22,081	288,228
Currency adjustment	(8)	(20)	3	(8)	—	11	(22)
As of Dec. 31, 2020	**108,302**	**5,473**	**142,224**	**14,332**	**291**	**25,361**	**295,983**
Gross carrying amount on Dec. 31, 2020	109,185	5,788	145,698	14,580	307	25,361	300,917
Cumulative depreciation/ amortization and impairment losses	(882)	(316)	(3,473)	(248)	(15)	—	(4,934)

Depreciation on property, plant and equipment is included in the functional expenses, in the cost of sales in particular.

Property, plant and equipment from the acquisition of the old RENK Group are recognized under addition to basis of consolidation. Due to the fact that the purchase price allocation has not yet been completed, the addition to the basis of consolidation includes preliminary values. As a result of this preliminary purchase price allocation, depreciation and amortization of € 597 thousand is included in property, plant and equipment. Please refer to the section “Business combination”.

The leases recognized as right-of-use assets comprise buildings, warehouse space and vehicle leases. Total cash outflows for the right-of-use assets amount to € 384 thousand in the current fiscal year.

(16) Inventories

€ thousand	Dec. 31, 2020
Raw materials, consumables and supplies	38,925
Finished goods and work in progress	207,307
Prepayments for inventories	2,372
	248,604

Consumption of inventories of € 99 million was recognized in the cost of sales in the reporting period.

(17) Contract assets

Contract assets developed as follows:

€ thousand	2020
As of Jan. 2	**—**
Addition to basis of consolidation	2,721
Additions and disposals	(155)
Currency changes	(1)
As of Dec. 31	**2,565**

(18) Loss allowances

The allowances for expected credit losses on trade receivables and contract assets under contracts with customers developed as follows:

€ thousand	2020
As of Jan. 2	**—**
Addition	180
Utilization	(117)
Currency changes	(2)
As of Dec. 31	**61**

The following changes in the gross carrying amounts of trade receivables and contract assets affected the amount of the loss allowances recognized:

€ thousand	2020
As of Jan. 2	**—**
Addition to basis of consolidation	113,256
Additions and disposals	12,234
Currency changes	(84)
As of Dec. 31	**125,406**

(19) Other non current and current assets and other receivables

€ thousand	Dec. 31, 2020
Restricted cash	11,257
Receivables from loans	9,117
Customer prepayment receivables	8,845
Derivative financial instruments	582
Miscellaneous other financial assets	932
Other financial assets	**30,733**
Prepaid expenses	3,777
Commission claims	1,952
Other tax assets	1,644
Miscellaneous other receivables	4,808
Other receivables	**12,181**
	42,914

The restricted cash includes cash collateral for bilateral guarantee credit lines.

The miscellaneous other receivables include the recognised transaction costs of the syndicated loan agreement in amount to € 4.731 thousand.

(19) Other non current and current assets and other receivables (Continued)

Derivative financial instruments are carried at fair value. They are used to hedge currency risks on customer orders and other foreign exchange positions.

(20) Equity

Subscribed capital at RENK Holding GmbH amounts to € 25 thousand.

The capital reserves originate exclusively from capital contributions made by the Rebecca BidCo SARL, Luxemburg, to the RENK Holding GmbH.

Negative retained earnings result from the loss in fiscal year 2020, due primarily to the incidental costs of business combination.

The accumulated other comprehensive income predominantly results from the fair value measurement of provisions for pension obligations.

The most important goals of capital management at RENK are sustainably increasing enterprise value and safeguarding the liquidity and creditworthiness of the Group. Factors contributing to this are the reduction of the cost of capital, the optimization of the capital structure and effective risk management.

RENK Holding GmbH is not subject to any capital requirements on the basis of its Articles of Association.

(21) Pensions and similar obligations

The RENK Group grants its employees retirement benefits in accordance with the country-specific circumstances in the form of defined benefit or defined contribution pension plans.

In defined contribution plans, contributions are paid to state or private pension funds on the basis of legal or contractual regulations. There are no further payment obligations other than the payment of contributions.

Current contributions are recognized as an expense in the respective year; in 2020 they amounted to a total of € 3,194 thousand in the RENK Group.

The following amounts were recognized in the statement of financial position for defined benefit pension plans:

€ thousand	2020
Present value of externally financed obligations	195,356
Plan assets at fair value	(179,942)
Funding status on December 31	**15,414**
Present value of unfunded obligations	609
Carrying amount on December 31	**16,023**
of which provisions for pension obligations	16,023

(a) Pension plans in Germany

As one of the essential elements of its remuneration policy, the RENK Group provides its domestic employees with benefits under a modern and attractive occupational pension system for the time after their active working life. This provides reliable additional income on retirement and risk protection for disability and death.

Under the current pension plans, the active employees receive employer contributions linked to their remuneration and, in addition, also have the option of personal provision through deferred compensation (paid for by the employer for employees subject to collective bargaining agreements). When actively working, employees accrue pension capital from employer- and employee-financed contributions and returns from investment on the capital market. On retirement this pension capital is paid out as a lump sum or in installments, or in certain cases can be converted into an annuity. Employees' investment risks are gradually reduced with increasing age (lifecycle concept). The performance of the pension capital is derived from the

(21) Pensions and similar obligations (Continued)

return on the investments. As required by law, at least the total contributions paid for the employee will be paid out on retirement.

Former employees, including pensioners and employees who have left the plan with vested benefits, have pension commitments from closed pension funds, which are predominantly geared towards providing lifetime annuity payments. These commitments entail the usual longevity and inflation risks, which are regularly monitored and evaluated.

Due to leaving the VW and MAN group, the RENK Pension Trust e.V. was established in 2020; this replaces MAN Pension Trust e.V. and manages the RENK pension assets. The RENK AG Investment Committee, supported by Willis Towers Watson Investments GmbH, is now responsible for investments.

RENK Pension Trust e.V. / WTW Pensionsfonds AG manages the German pension assets of the RENK Group. These assets are irrevocably unavailable to the RENK companies and must be used exclusively to fund current pension payments or for employee claims in the event of insolvency. The proper management and use of trust assets is monitored by independent trustees. WTW Pensionsfonds AG is also subject to the supervision of the German Federal Financial Supervisory Authority (BaFin).

The pension assets are invested by professional investment managers according to investment guidelines set by an Investment Committee. The strategic allocation of plan assets is based on asset liability management studies conducted at regular intervals.

(b) Pension plans outside Germany

In Switzerland, the defined benefit pension claims and the actuarial reserves are managed in industry-wide company pension institutions. Employees accrue pension capital with these institutions, which is then converted into a lifelong pension under the conditions prevailing at the time. The pension institutions are managed conservatively based on government regulations. If the claims are no longer covered by capital due to negative market developments, restructuring contributions can be levied from the affiliated employers and their employees.

Obligatory post-employment benefits are paid in France.

(c) Funding status

The calculation of the present value of defined benefit pension obligations is based on the following assumptions:

	Germany	Outside Germany(1)
in %	2020	2020
Discount rate as of Dec. 31	0.40	0.33
Salary trend	3.00	2.00
Pension trend	1.50	0.00
Fluctuation rate	2.57	5.14

(1) Weighted average rates

The biometric data are based on current mortality tables for each specific country. For Germany, the Heubeck 2005 G mortality tables were adjusted in line with empirical data specific to RENK and therefore better reflect mortality than the current RT2018 G mortality tables. The BVG 2015 GT mortality tables were used for Switzerland.

Discount rates are based on the yields on corporate bonds with high credit ratings, with a maturity and currency matching the respective obligations. Pension and pay trends either correspond to contractual adjustments or are based on those found in the general regulations applicable. Pay trends comprise expected wage and salary increases that also take into account increases resulting from career development.

(21) Pensions and similar obligations (Continued)

The present value of defined benefit obligations developed as follows:

€ thousand	2020
Defined benefit obligation on January 2	—
Addition to basis of consolidation	188,617
Current service cost	1,483
Interest expense	332
Actuarial gains (-)/losses (+) due to changes in financial assumptions	3,796
Actuarial gains (-)/losses (+) due to experience adjustments	2,066
Employee contributions to funds	312
Pension payments from company assets	(332)
Pension payments from fund	(763)
Other changes	629
Currency differences from plans abroad	(174)
Defined benefit obligation on December 31	**195,965**

Changes in the main actuarial assumptions would have had the following effects on defined benefit obligations:

		Dec. 31, 2020	
Defined benefit obligation		€ thousand	%
Discount rate	+0.5% points	186,041	(5.33)
	(0.5)% points	206,767	5.22
Salary trend	+0.5% points	202,649	3.30
	(0.5)% points	191,584	(2.29)
Pension trend	+0.5% points	196,403	0.22
	(0.5)% points	195,551	(0.21)
Longevity	+ 1 year	201,509	2.75

The sensitivity analyses shown each take into account the change in one assumption with the other assumptions unchanged from the original calculation, i.e. possible correlation effects between the individual assumptions are not taken into account.

To analyze the sensitivity of the defined benefit obligation to a change in the assumed life expectancy, the age of beneficiaries was decreased by one year as part of a comparative calculation.

The weighted average term to maturity (Macaulay duration) of the defined benefit pension obligations is eleven years.

The defined benefit obligation is divided among the members of the plan as follows:

€ thousand	2020
Active members	110,761
Former members	9,477
Beneficiaries	75,727
Defined benefit obligation	**195,965**

(21) Pensions and similar obligations (Continued)

The maturity profile of the payments for the defined benefit obligation is shown below by breaking down the present value of the obligation by the maturity of the underlying payments:

€ thousand	2020
Payment due	
Within one year	6,273
Between one and five years	37,273
More than five years	152,419
Defined benefit obligation	**195,965**

The development of plan assets is shown by the table below:

€ thousand	2020
Plan assets as of January 2	—
Addition to basis of consolidation	171,151
Interest income from plan assets – in amount of interest rate	294
Actuarial gains	7,183
Employer contributions to funds	1,277
Employee contributions to funds	185
Pension payments from fund	(763)
Other changes	629
Currency differences from plans abroad	(14)
Plan assets on December 31	**179,942**

The investment of plan assets resulted in income of € 7,472 thousand, € 5,992 thousand of which relates to Germany and € 1,479 thousand to other countries.

The other cash flow resulting from a partial liquidation balance sheet of the Swiss pension institution is reported under “Other changes”.

In the next fiscal year employer contributions to plan assets are expected to amount to € 4,554 thousand.

The plan assets are invested in the following categories:

€ thousand	Quoted price on an active market	No quoted price on an active market	Dec. 31, 2020 Total
Cash and cash equivalents	2,973	—	2,973
Equity instruments	9,220	6,654	15,874
Debt instruments	13,719	—	13,719
Direct investments in real estate	—	12,270	12,270
Real estate funds	1,154	—	1,154
Other funds	128,474	—	128,474
Other	2,732	2,745	5,477
Plan assets at fair value	**164,927**	**15,015**	**179,942**

The other funds include the trust assets of the domestic companies which are invested in the mixed special funds.

The plan assets are 75 % invested in domestic assets, 25 % in other European assets and 0 % in assets from other regions.

(21) Pensions and similar obligations (Continued)

(d) Expenses for pension obligations

The following amounts were recognized in the income statement:

€ thousand	2020
Current service cost	1,483
Net interest expense (+)/income (-)	27
	1,511

(22) Other non-current and current provisions

€ thousand	Warranties	Obligations to employees	Outstanding costs	Miscellaneous other provisions	Total
As of Jan. 2, 2020	—	—	—	—	—
Utilization	(1,927)	(3,390)	(165)	(265)	(5,747)
Addition to basis of consolidation	44,291	10,994	5,422	7,691	68,398
Addition	2,525	4,577	48	1,110	8,260
Reversal	(4,631)	(29)	(599)	(328)	(5,587)
Interest cost	—	(64)	—	48	(16)
Currency translation differences	—	—	(2)	(1)	(3)
As of Dec. 31, 2020	**40,258**	**12,088**	**4,704**	**8,255**	**65,305**

Other provisions break down according to maturity as follows:

	Dec. 31, 2020	
€ thousand	Non-current	Current
Warranties	2,952	37,306
Obligations to employees	7,602	4,486
Outstanding costs	—	4,704
Miscellaneous other provisions	926	7,329
	11,480	**53,825**

Provisions for warranties relate to legal and contractual warranty obligations and to goodwill towards customers. The timing of the utilization of provisions for warranties is dependent on the occurrence of the warranty claim and can extend over the entire warranty and goodwill period. Provisions for outstanding costs comprise risks from customer contracts recognized over a period of time and outstanding services for invoiced customer contracts.

Non-current obligations to employees relate in particular to partial retirement and anniversaries. Current obligations to employees primarily relate to planned expenditure for staff restructuring measures in the Standard Gear Units segment.

Miscellaneous other provisions essentially relate to provisions for anticipated losses from onerous contracts and penalties.

(23) Financial liabilities

€ thousand	Dec. 31, 2020
Bonds	321,558
Loan liabilities	81,287
Lease liabilities	4,394
Non-current financial liabilities	**407,239**
Loan liabilities	96,325
Lease liabilities	1,434
Current financial liabilities	**97,759**
	504,998

The following table shows the changes in liabilities from financing activities for the 2020 financial year:

€ thousand	Bonds	Loan liabilities	Lease liability
As of Jan. 2	**—**	**—**	**—**
Addition to basis of consolidation			**6,098**
Cash inflows from issuance of bonds	320,000	—	—
Cash inflows from borrowing loan liabilities	—	175,658	—
Changes of the lease liabilities	—	—	(289)
Total change in cash flow from financing activities	**320,000**	**175,658**	**(289)**
Effects of changes in exchange rates	**0**	**60**	**(24)**
Transaction costs	(7,680)	—	—
Interest expenses	9,239	1,894	43
Total other changes, related to debt	**1,559**	**1,894**	**43**
As of Dec. 31	**321,558**	**177,612**	**5,828**

(24) Contract liabilities

€ thousand	Dec. 31, 2020
Contract liabilities, non-current	78,544
Contract liabilities, current	100,296
Liabilities from customer prepayment receivables	6,084
	184,924

Contract liabilities developed as follows in the fiscal year 2020:

€ thousand	2020
As of Jan. 2	**—**
Additions and disposals	627
Addition to basis of consolidation	184,521
Currency changes	(224)
As of Dec. 31	**184,924**

(25) Other non-current and current liabilities

€ thousand	Dec. 31, 2020
Liabilities from the acquisition of outstanding shares	51,553
Derivative financial instruments	311
Deferred income	23
Miscellaneous other financial liabilities	1,359
Other financial liabilities	**53,246**
Employee-related liabilities	26,108
Liabilities from other taxes	1,651
Miscellaneous other liabilities	819
Other liabilities	**28,578**
	81,824

The liabilities from the acquisition of outstanding shares include the liability to minority stockholders from the squeeze-out of RENK AG under merger law. Please refer to the section "Estimates and judgments".

Employee-related liabilities mainly include deferred vacation not yet taken, annual bonuses and working time accounts as well as wages and salaries and social insurance contributions not yet paid at the end of the reporting period.

Other Disclosures

(26) Contingent liabilities

€ thousand	Dec. 31, 2020
Obligations from guarantees	329
Other contingent liabilities	1,104
	1,432

Obligations from guarantees relates to guarantees under trade obligations of equity investments.

Other contingent liabilities include possible charges from contractual penalties.

Contingent liabilities are usually measured in the amount of the maximum claims on RENK. Any rights of recourse are not deducted.

(27) Other financial obligations

Other financial obligations comprise current rental agreements and leases that are not capitalized on account of the exemption under IFRS 16. These primarily relate to renting work clothes and office printers. The maturities of future rental and lease payments until the end of their minimum term amount to € 271 thousand:

The capitalized leases create potential future payments of € 4,092 thousand resulting from extension options not yet taken into account and termination options of € 1 thousand.

As of the end of the reporting period, the purchase commitment for the acquisition of intangible assets and property, plant and equipment was € 3,697 thousand. The commitment value for the acquisition of inventories and services was € 133,973 thousand.

(28) Additional information on financial instruments

This section contains additional information on the significance of financial instruments and on individual items of the statement of financial position and the income statement that relate to financial instruments.

The following table shows the reconciliation of statement of financial position items to the classes of financial instruments as of December 31, 2020, broken down by carrying amounts and fair values of financial instruments, and the allocation of statement of financial position items to the measurement categories.

(28) Additional information on financial instruments (Continued)

€ thousand	Measured at fair value through other comprehensive income Carrying amount	Measured at fair value through Profit & loss Carrying amount	At amortized cost Carrying amount	At amortized cost Fair value	Not assigned to an IFRS 9 measurement category Carrying amount	Statement of financial position item as of December 31, 2020
Noncurrent assets						
Other and financial investments	2,975	—	—	—	20,733	23,708
Other non-current financial assets	—	37	5,555	5,555	—	5,592
Current assets						
Trade receivables	—	—	122,781	122,781	—	122,781
Contract assets	—	—	—	—	2,565	2,565
Other current financial assets	—	545	24,596	24,596	—	25,141
Cash and cash equivalents	—	—	186,881	186,881	—	186,881
Non-current liabilities						
Noncurrent financial liabilities	—	—	402,845	416,919	4,394	407,239
thereof bonds	—	—	*321,558*	*335,632*	—	
thereof loans payable	—	—	*81,287*	*81,287*	—	
thereof lease liabilities	—	—	—	—	*4,394*	
Other noncurrent financial liabilities	—	225	7	7	—	232
Current liabilities						
Current financial liabilities	—	—	97,759	97,759	—	97,759
Trade payables	—	—	49,383	49,383	—	49,383
Other current financial liabilities	—	85	52,929	52,929	—	53,014

The cumulative carrying amounts of financial instruments as of December 31, 2020, broken down by IFRS 9 measurement category, are as follows:

€ thousand Measurement category in accordance with IFRS 9	Dec. 31, 2020 Assets	Dec. 31, 2020 Equity and liabilities
Financial instruments at amortized cost	339,814	1,005,768
Financial assets at fair value through other comprehensive income	2,975	—
Financial instruments at fair value through profit or loss	582	311

The fair values were calculated based on the market conditions at the end of the reporting period and the measurement methods described below. They are the prices at which one party would assume the rights or obligations from these financial instruments from an independent third party.

Cash and cash equivalents, trade receivables, other financial assets, financial liabilities, trade payables and miscellaneous financial liabilities predominantly have a short remaining term. Their carrying amounts as of the end of the reporting period therefore approximately match their fair value.

Financial assets at fair value through other comprehensive income include equity shares in the entity RENK UAE LLC, Abu Dhabi, United Arab Emirates of € 2,975 thousand for which the RENK Group exercises the option for measurement at fair value through other comprehensive income.

In particular, the respective corporate planning and the company-specific discount rates are used to measure the equity instruments at fair value (level 3). As of December 31, 2020, the weighted average cost of capital

(28) Additional information on financial instruments (Continued)

before taxes for calculating the fair value is 7.65 %. A change in the significant, unobservable inputs has no significant effect on equity or profit after tax, either in isolation or combination.

Total dividends of € 605 thousand were received in the reporting period.

For derivative financial instruments without option components, in particular currency forwards, future cash flows are calculated by discounting the forward cash flows on the basis of the FX spot and swap rates (calculation using the interest difference method). The fair value of these instruments is the total of the discounted cash flows. The options on currency pairs are measured on the basis of standard option pricing models, i.e. generalized Black-Scholes formulas.

Financial assets and liabilities measured at fair value are level 2 of the fair value hierarchy with the exception of other equity investments, which are level 3.

With the exception of cash and cash equivalents and the interests, which are allocated to level 1 of the fair value hierarchy, all other financial assets and liabilities at amortized cost are allocated to level 2 of the fair value hierarchy. For the Level 3 receivables, the fair value is determined by taking into account individual loss expectations, which are based to a significant extent on the company's assumptions regarding the credit rating of the counterparty.

Fair value hierarchy:

The classification and reporting of the fair values of financial instruments are based on a fair value hierarchy that reflects the significance of the inputs used for measurement and breaks down as follows:

Level 1:

Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2:

Inputs other than quoted prices included within level 1 that are observable for an asset or liability either directly (as a price) or indirectly (derived from prices). The fair values of level 2 financial instruments are calculated based on the conditions at the end of the reporting period, such as interest rates or exchange rates, and using recognized models, such as the discounted cash flow models or option pricing model.

Level 3:

Input data used for the measurement of the asset or liability not based on observable market data (unobservable inputs).

The interest income and expenses generated in connection with financial assets and financial liabilities are as follows:

€ thousand	2020
Interest expense	13,286
Interest income	353

Offsetting financial assets and financial liabilities

The following table contains information on possible offsetting effects on the consolidated statement of financial position and the financial impact of offsetting in the case of instruments which are subject to a legally enforceable master offsetting agreement or similar agreement.

The "Financial instruments" column shows the amounts that are the subject of a master offsetting agreement, but that cannot be offset because the conditions have not been met. Offsetting can only occur given certain future events, such as the insolvency of one of the parties. The columns "Collateral received" and "Collateral provided" show the amounts of cash collateral or collateral in the form of financial instruments received/ pledged in relation to the total amount of assets and liabilities.

(28) Additional information on financial instruments (Continued)

€ thousand	Carrying amount in statement of financial position	Financial Instruments[1]	Collateral received[1]	Net amount
Dec. 31, 2020				
Assets from derivative financial instruments	582	(158)	—	424
Liabilities from derivative financial instruments	311	(158)	—	153

(1) Amounts not offset in the statement of financial position.

The net gains and losses from financial instruments are shown in the table below:

€ thousand	2020
Financial assets at amortized cost	(126)
Financial liabilities at amortized cost	(3,076)
Assets and liabilities at fair value through profit or loss	1,037
Net gain (+)/net loss (-)	**(2,165)**

Net gains and losses from financial assets measured at amortized cost essentially contain changes in valuation allowances and currency translation and the reversal of impairment losses.

The net gains or losses from financial liabilities at cost mainly result from currency translation.

The net gains or losses from financial assets and liabilities measured at fair value through profit or loss include changes in the fair value of derivative financial instruments not used in hedge accounting.

(29) Derivative financial instruments and hedging strategies

On account of its business activities and international orientation, the assets, liabilities and planned transactions of the RENK Group are subject to market, credit and liquidity risks. There is a Group-wide risk management system to identify, quantify and mitigate these risks. Group Treasury at RENK AG is responsible for operating risk management and controlling for risks arising from financial instruments.

(a) Risk management

The companies hedge their currency risks at market conditions via the central Group Treasury of RENK AG. This uses primary and predominantly derivative financial instruments. In countries where exchange control regulations or regulatory provisions do not allow RENK AG to hedge its risks, foreign currency interest and money market transactions are entered into by RENK AG in the name and on behalf of the respective Group company. Derivative financial instruments are recognized on the trade date.

The risk positions of the Group are hedged externally with banks within predetermined risk limits by Group Treasury. Hedging is carried out with due regard for banks' risk management requirements and is subject to stringent monitoring, which is guaranteed in particular by a strict separation of functions on the basis of the dual control principle.

Liquidity management and investment in the RENK Group is centralized under group-wide cash management. When investing cash and cash equivalents, financial institutions and investment vehicles are carefully selected and diversified. The majority of cash and cash equivalents are held in cash deposits at banks with an investment grade rating.

The Executive Board of RENK AG is regularly informed about the market price risks of the RENK Group.

(b) Currency risk

For each RENK company there is a currency risk if it performs transactions and incurs future cash flows in a currency other than its functional currency. To reduce the effect of exchange rate fluctuations, the RENK companies continuously quantify the exchange risk and hedge all material risks by using currency forwards and options.

(29) Derivative financial instruments and hedging strategies (Continued)

In the RENK Group, all firm customer contracts, its own orders, receivables and liabilities in foreign currency are hedged. Currencies with a high correlation to the euro, such as the Danish krone, and equity investments or equity-type loans in foreign currencies, if at all relevant, are only hedged in individual cases. In addition, there is hedging for planned sales revenue in foreign currency from series production business within defined hedging ranges and, occasionally, for customer projects whose materialization is highly probable. The RENK management is regularly informed of the currency positions of the RENK Group.

As of the end of the reporting period, RENK's foreign exchange exposure is primarily from transactions in USD, CHF, JPY, CNY and GBP. Thanks to the currency forwards and options in place for these currencies, RENK was not exposed to any significant risks.

In a sensitivity analysis, the primary and derivative financial instruments in place at the end of the reporting period were measured in a hypothetical scenario. The effects of a 10 % appreciation/depreciation of a currency per currency pair as of December 31, 2020 are as follows:

€ thousand	Dec. 31, 2020 Equity		Net profit/loss for the period	
Currency pair	**+10%**	**(10)%**	**+10%**	**(10)%**
Euro/US dollar	—	—	1,152	(1,310)
Euro/Swiss franc	—	—	(1,083)	1,083
Euro/Chinese yuan	—	—	332	(293)
Euro/Pound sterling	—	—	(461)	464
Euro/Japanese yen	—	—	102	(149)
Euro/Norwegian krone	—	—	(1)	1
Swiss franc/US dollar	—	—	(21)	21

(c) Commodity price risk

RENK is exposed to the risk of changes in commodity prices and their availability, i.e. commodity procurement risk, both in connection with the procurement of the means of production but also in the procurement of energy (electricity, gas, oil, etc.).

As far as possible, this risk is countered by fixed price agreements with suppliers. Owing to the variety of commodities used and the resulting quantities, each comparatively small, the hedging of prices using corresponding instruments on the financial markets is not a substantial alternative for RENK. RENK had no commodity derivatives in fiscal year 2020.

There were no significant risk clusters in the past fiscal year.

(d) Credit risk

On account of its operating activities, RENK is exposed to credit risk, i.e. the risk that a counterparty does not meet its contractual obligations and thus causes a financial loss. Credit risks include direct counterparty risk and the risk of a deterioration in credit quality.

The maximum credit risk is reflected by the carrying amounts of financial assets reported in the statement of financial position. Credit risks are minimized, and risk provisions calculated, mainly with the following measures:

Sovereign and counterparty risks arising from business operations are continuously assessed locally. Security levels and forms are determined based on this. Outstanding debts are also continuously monitored locally. If default risks arise, allowances are recognized. Credit risk is limited by various, sometimes country-specific, forms of security. Letters of credit, guarantees, warranties, retention of title and customer prepayments could be used. In project business, the risk of default is minimized by prepayments and by obtaining collateral.

RENK recognizes appropriate loss allowances for expected credit losses in connection with its business operations. It also performs an ongoing assessment of all financial assets measured at amortized cost.

(29) Derivative financial instruments and hedging strategies (Continued)

Allowances on trade receivables and contract assets are calculated using a provision matrix with provision rates graded according to the aging analysis of receivables. Specific valuation allowances are recognized if there is objective evidence of credit losses or other contractual anomalies. Other financial receivables and cash and cash equivalents are checked for cash shortfalls using a general three-stage approach.

There were no significant clusters in terms of credit risk in the RENK Group in the past fiscal year.

The credit risks of the financial assets can be grouped into the following risk classes:

	Risk class 1	Risk class 2	Risk class 3
	Receivables without evidence of credit impairment(1)	Receivables with a significant increase in credit risk(2)	Receivables without evidence of credit impairment(3)
€ thousand	2020	2020	2020
Stage 1: 12-month expected credit loss	217,033	—	—
Stage 2: Lifetime expected credit losses (not impaired)	—	—	—
Stage 3: Lifetime expected credit losses (impaired)	—	—	—
Purchased or originated credit-impaired financial instruments	—	—	—
Simplified approach: Lifetime expected credit losses	105,455	11,231	9,370
	322,488	**11,231**	**9,370**

(1) Receivables not overdue and up to 30 days overdue

(2) Receivables 31 to 90 days overdue

(3) Receivables more than 91 days overdue

Level 1 essentially comprises cash and cash equivalents for which no loss allowances are formed because they are due on demand and have low default risk.

Loss allowances are recognized based on maturity profiles and provision rates for expected credit losses for receivables that are not impaired. Specific valuation allowances are recognized if there is objective evidence of impairment on the receivables in question.

(e) Liquidity risk

Liquidity risk describes the risk that the RENK Group is unable to adequately meet its payment obligations or can raise liquidity only at a higher price.

Solvency and the provision of liquidity in the RENK Group are assured at all times on the basis of rolling liquidity planning of the RENK companies. To limit the liquidity risk, inflows and outflows of cash and maturities are monitored and managed at all times. Financing requirements are covered by both operating cash flow and external financing. There were therefore no significant risk clusters in the past fiscal year.

Cash for the operating units is essentially managed centrally as part of cash pooling. Cash and cash equivalents of the RENK companies are combined on a daily basis. Thus, liquidity surpluses and requirements can be managed as necessary. For external financing, the opportunities on the financial markets are tracked continuously to ensure financial flexibility and to limit refinancing risks.

In certain countries (such as Brazil and China), the Group can only dispose over local cash and cash equivalents internationally in compliance with the applicable foreign exchange restrictions. Other than this there are no significant restrictions.

In the context of a syndicated loan agreement, the companies of the RENK Group agreed with banks cash credit lines for € 50,000 thousand at normal market conditions with a term to January 13, 2025 and an extension option. Deutsche Bank acts as the syndicated loan manager (agent) The base interest rate is determined depending on the debt-equity ratio. The credit lines had not been utilized at the end of the reporting period.

(29) Derivative financial instruments and hedging strategies (Continued)

In addition, in the framework of a syndicated loan agreement, the RENK Group has a guarantee credit line of € 175,000 thousand, € 120,889 thousand of which was utilized. Outside the syndicated loan agreement, there are additional guarantee credit lines on a bilateral basis of € 23,988 thousand, € 21,981 thousand of which were utilized on the reporting date. Cash collateral of € 11,257 thousand was provided for the bilateral guarantee credit lines as of the reporting date.

To partially finance the acquisition of the shares in the former RENK AG, Rebecca BidCo AG issued a € 320 million bond on the regulated market of TISE in Guernsey in the current fiscal year with a term of five years and with an interest coupon of 5.75 % p.a.. In addition, a long-term loan of € 80 million with a term of more than five years and two short-term loans totaling € 96 million were taken out from Rebecca BidCo SARL. The interest rates for the loans range between 0 % and 6 %.

Cash and cash equivalents are essentially used to finance working capital and short-term obligations. Management is informed regularly about cash inflows and outflows.

The cash flows at RENK are dominated by the maturities arising from business operations. These are predominantly of a short-term nature. Cash clearing takes place through the inclusion in the central financial management of RENK AG.

The following table shows how the cash flows of liabilities, derivative financial instruments and contingent liabilities affect RENK's liquidity situation:

Maturities[1]

			Dec. 31, 2020
€ thousand	**2021**	**2022 to 2025**	**> 2025**
Cash outflows from primary financial liabilities	218,573	397,735	104,132
of which from bonds	*18,502*	*393,600*	—
of which from loan liabilities	*96,332*	*73*	*103,793*
of which trade payables	*49,383*	—	—
of which other financial liabilities	*52,922*	*7*	—
of which from lease liabilities	*1,435*	*4,055*	*339*
Cash outflows from liability derivative financial instruments and gross fulfillment[2]	(7,147)	(580)	(8,375)
Associated cash inflows	7,007	518	8,075
Potential cash outflows from contingent liabilities	1,432	—	—
of which for repayment obligations	*1,432*	—	—

(1) The procedure for calculating the amounts was as follows:

- If the maturity date is not fixed, the liability is assigned to the earliest maturity date.
- Interest payments for floating rate interest are taken into account in line with the conditions as of the end of the reporting period.
- It is assumed that the cash outflows will not occur earlier than shown.

(2) In accordance with the requirements of IFRS 7, only undiscounted cash flows of the contractual interest and principal payments are shown.

(30) List of shareholdings of RENK Holding GmbH as of December 31, 2020

Name and registered office of the company	Share of capital in %	Local currency (LC)	Exchange rate (EUR/LC)	Equity (1,000 LC)	Result (1,000 LC)
RENK AG, München	100	EUR	1	(71,741)	(294,614)
RENK FinCo GmbH, München	100	EUR	1	221,854	(48)
RENK Test System GmbH, Augsburg	100	EUR	1	11,837	(632)
E-MS GmbH, Hamburg(1)	100	EUR	1	25	—
RENK France S.A.S., Saint-Ouen- I'Aumône, Frankreich	100	EUR	1	24,829	1,609
Schelde Gears B.V., Vlissingen, Niederlande(2)	100	EUR	1	1,938	577
RENK (UK) Ltd., London, UK (inaktiv)	100	GBP	n/a	n/a	n/a
Horstman Defence Systems Ltd., Bath, UK	100	GBP	0.8990	15,055	3,119
Horstman Holdings Ltd., Bath, UK	100	GBP	0.8990	12,973	2,587
RENK-MAAG GmbH, Winterthur, Schweiz	100	CHF	1.0802	20,281	2,311
RENK Transmisyon Sanayi A.S., Istanbul, Türkei(2)	55	TRY	6.6805	10,234	1,215
RENK UAE LLC, Abu Dhabi, United Arab Emirates(2)	49	AED	4.1244	16,361	219
RENK Corporation, Duncan, South Carolina, USA	100	USD	1.2271	14,823	971
RENK Systems Corporation, Camby, Indiana, USA	100	USD	1.2271	5,285	1,602
Horstman, Inc., Sterling Heights, Michigan, USA	100	USD	1.2271	1,338	(742)
Horstman Systems Inc., Woodbridge, Ontario, Kanada(3)	100	CAD	1.4621	(4,099)	(326)
RENK Holding Canada Inc., Toronto, Ontario, Kanada(2)	100	CAD	1.4621	3,000	—
COFICAL RENK MANCAIS DO BRASIL LTDA, Guaramirim, Brasilien(3)	98	BRL	4.5135	20,848	3,930
Modest Tree Media Inc., Halifax, Nova Scotia, Kanada(4)	17.54	CAD	1.5332	2,397	(818)
Renk Gears Private Ltd., Bangalore, Indien(5)	100	INR	82.5540	98,923	33,148
Renk Korea Co., Ltd., Busan, Südkorea(2)	100	KRW	1,296.350	602,666	64,353
RENK Shanghai Service and Commercial Co., Ltd. Shanghai, China(2)	100	CNY	7.8147	6,805	1,082

(1) On account of the acquisition, equity is recognized for the time of acquisition

(2) As of: December 31, 2019

(3) Short fiscal year (April 1 – December 31, 2019)

(4) As of: June 30, 2020 due to the different fiscal year

(5) As of: March 31, 2020 due to the different fiscal year

(31) Related party disclosures

Related parties as defined by IAS 24 are natural persons and companies that can be influenced by RENK Holding GmbH that can significantly influence RENK Holding GmbH or that are influenced by another related party of RENK Holding GmbH.

(31) Related party disclosures (Continued)

Rebecca BidCo SARL holds the shares of the RENK Holding GmbH and is thus, together with its affiliates, a related party with regard to the RENK Group. Rebecca BidCo SARL is held by the Triton V fund, which is advised by the financial investor Triton.

Exchanges of goods and services between RENK and its related parties are conducted as at arm's length.

In the current fiscal year, loan transactions were concluded with Rebecca BidCo SARL and its related companies to the following extent:

€ thousand	2020 02.01.−31.12.
Services rendered (income)	80
Services received (expense)	1,820
Receivables (Dec. 31)	6,776
Liabilities (Dec. 31)	177,538

Related parties of RENK also include persons who can influence or be influenced by RENK Holding GmbH, such as the RENK Holding GmbH management, the management of Rebecca BidCo SARL and the Executive Board members of the RENK AG.

In the fiscal year 2020, the Management compensation amounts to € 1,693 thousand and consists of € 411 thousand from short-term benefits and € 1,282 thousand from post-employment benefits and termination benefits. There are no other long-term employee benefits or share-based payments.

There were no other business relationships with related parties in the reporting period.

(32) Events after the end of the reporting period

On March 1, 2021, RENK AG signed a contract on the acquisition of the Combat Propulsion Systems ("CPS") and the Magnet-Motor GmbH ("MM") from L3Harris Technologies Inc. ("L3Harris") for a purchase price of USD 400 million. The transaction is subject to regulatory approvals, with completion expected in the second half of 2021.

CPS is an established manufacturer of transmissions and engines for tracked vehicles on the American and international market. MM is leading in the development and construction of high-performance electric power supply and hybrid driven systems for military applications. After the acquisition, RENK will become a leading global provider of mobility solutions for armored vehicles with a focus on USA and Europe. The company will combine the state-of-the-art technologies of RENK, the recently acquired Horstman Group, CPS and MM.

After signing the contract, RENK established two new U.S. companies as vehicles for the purpose of realizing the acquisition of CPS. On March 5, 2021 RENK Holdings, Inc. was formed as a wholly owned subsidiary of RENK AG and Combat Mobility Solutions LLC ("CMS") as a wholly owned subsidiary of RENK Holdings, Inc. Upon closing of the acquisition, CMS will acquire the assets of CPS.

Augsburg, April 26, 2021

Management of the RENK Holding GmbH

Claus von Hermann-Spürck Volker Stumpf

The following independent auditor's report (Bestätigungsvermerk des unabhängigen Abschlussprüfers) has been issued in accordance with Section 322 of the German Commercial Code (Handelsgesetzbuch) on the consolidated financial statements and group management report (Konzernlagebericht) of Rebecca HoldCoGmbH (meanwhile: RENK HoldingGmbH) for the short fiscal year from January 2, 2020 to 31 December 2020. The English language independent auditor’s report is a translation of the respective German language independent auditor’s report (Bestätigungsvermerk des unabhängigen Abschlussprüfers). The group management report is neither included nor incorporated by reference in this offering memorandum.

INDEPENDENT AUDITOR’S REPORT

To Rebecca HoldCo GmbH (meanwhile: RENK Holding GmbH)

Opinions

We have audited the consolidated financial statements of Rebecca HoldCo GmbH, Munich (meanwhile: RENK Holding GmbH), and its subsidiaries (the Group), which comprise the consolidated income statement and reconciliation to total comprehensive income for the abbreviated fiscal year from 2 January 2020 to 31 December 2020, the consolidated statement of financial position as of 31 December 2020, the consolidated statement of changes in equity and the consolidated statement of cash flows for the abbreviated fiscal year from 2 January 2020 to 31 December 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Rebecca HoldCo GmbH (meanwhile: RENK Holding GmbH) for the abbreviated fiscal year from 2 January to 31 December 2020.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB [“Handelsgesetzbuch”: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as of 31 December 2020, and of its financial performance for the abbreviated fiscal year from 2 January to 31 December 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements and of the group management report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Responsibilities of the executive directors for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements that comply with IFRSs as adopted in the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB give a true and fair view of the assets and liabilities, financial position and financial performance of the Group.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stuttgart, 6 May 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Heubach Wirtschaftsprüfer [German Public Auditor]	Difflipp Wirtschaftsprüfer [German Public Auditor]

Unaudited Condensed Consolidated Interim Financial Statements of the former RENK AG as of and for the three month period ended March 31, 2020

Contents

Interim Consolidated Financial Statements as of March 31, 2020 (Condensed Version)

Consolidated Income Statement

€ thousand	Note	2020 01.01.–31.03.	2019 01.01.–31.03.
Sales revenue	**[5]**	**113,367**	**96,492**
Cost of sales		(91,419)	(78,554)
Gross profit		**21,948**	**17,938**
Other operating income	[6]	2,598	645
Net allowances on financial assets		605	254
Distribution expenses		(10,461)	(9,653)
General administrative expenses		(6,916)	(5,470)
Other operating expenses	[7]	(3,988)	(1,908)
Operating profit		**3,785**	**1,806**
Interest expenses(1)		(338)	(332)
Other financial result		(38)	232
Financial result		**(376)**	**(100)**
Profit before taxes		**3,410**	**1,706**
Income tax expense		(1,016)	(529)
Profit after tax (share of RENK shareholders)		**2,394**	**1,177**
Earnings per share in € (basic and diluted)	**[8]**	**0.35**	**0.17**

(1) Includes interest expense from lease liabilities of € 31 thousand (March 31, 2019: € 26 thousand).

Reconciliation to Total Comprehensive Income for the Period

€ thousand	2020 01.01.–31.03.	2019 01.01.–31.03.
Profit after tax	**2,394**	**1,177**
Items not reclassified to profit or loss		
Remeasurement of pension plans[1]	(707)	3,685
Deferred taxes[1]	(105)	(1,067)
	(812)	**2,617**
Items reclassified to profit or loss in the future		
Currency translation differences[1]	(1,187)	389
	(1,187)	**389**
Other comprehensive income for the period	**(1,999)**	**3,006**
Total comprehensive income	**395**	**4,183**

(1) No deferred taxes relate to currency translation differences.

Consolidated Statement of Financial Position

€ thousand	Note	Mar. 31, 2020	Dec. 31, 2019
Assets			
Intangible assets		40,777	42,287
Property, plant and equipment	[9]	243,429	241,703
Other and financial investments	[10]	15,370	15,370
Deferred tax assets		11,501	9,606
Other noncurrent financial assets	[13]	851	860
Other noncurrent receivables	[13]	8	29
Noncurrent assets		**311,936**	**309,855**
Inventories	[11]	253,444	230,432
Trade receivables	[12]	95,960	135,197
Contract assets		2,528	4,308
Current income tax receivables		2,654	2,418
Other current financial assets	[13]	38,753	22,997
Other current receivables	[13]	7,368	7,128
Cash and cash equivalents		116,781	102,476
Current assets		**517,487**	**504,956**
		829,424	**814,811**
Equity and liabilities			
Subscribed capital		17,920	17,920
Capital reserves		10,669	10,669
Retained earnings		463,515	461,121
Accumulated other comprehensive income		(8,010)	(6,011)
Equity		**484,094**	**483,699**
Noncurrent financial liabilities		5,044	5,181
Pension provisions		10,530	14,233
Deferred tax liabilities		7,688	9,229
Contract liabilities, noncurrent	[15]	66,536	73,450
Other noncurrent provisions	[14]	11,471	11,262
Other noncurrent financial liabilities		1,904	1,038
Other noncurrent liabilities		0	25
Noncurrent liabilities and provisions		**103,172**	**114,418**
Current financial liabilities		1,354	1,284
Effective income tax liabilities		2,851	2,890
Trade payables		37,838	41,235
Contract liabilities, current	[15]	111,976	94,814
Current income tax payables		996	976
Other current provisions	[14]	43,622	43,954
Other current financial liabilities		5,874	2,106
Other current liabilities		37,648	29,435
Current liabilities and provisions		**242,159**	**216,694**
		829,424	**814,811**

Consolidated Statement of Changes in Equity

€ thousand	Subscribed capital	Capital reserves	Retained earnings	Other comprehensive income for the period	Currency translation	Total
As of Jan. 1, 2019	**17,920**	**10,669**	**431,910**	**(15,173)**	**4,609**	**449,935**
Profit after tax	—	—	1,177	—	—	1,177
Other comprehensive income for the period	—	—	—	2,617	389	3,006
Total comprehensive income	**—**	**—**	**1,177**	**2,617**	**389**	**4,183**
As of Mar. 31, 2019	**17,920**	**10,669**	**433,087**	**(12,556)**	**4,998**	**454,118**
As of Jan. 1, 2020	**17,920**	**10,669**	**461,121**	**(12,291)**	**6,280**	**483,699**
Profit after tax	—	—	2,394	—		2,394
Other comprehensive income for the period	—	—	—	(812)	(1,187)	(1,999)
Total comprehensive income	—	—	2,394	(812)	(1,187)	395
As of Mar. 31, 2020	**17,920**	**10,669**	**463,515**	**(13,103)**	**5,093**	**484,094**

Consolidated Statement of Cash Flows

€ thousand	2020	2019
Cash and cash equivalents on Jan. 1	**102,476**	**185,700**
Profit before taxes	**3,410**	**1,706**
Income taxes paid	(4,474)	2,058
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment	5,993	4,838
Change in provisions for pension obligations	(4,384)	(3,411)
Gains/losses from asset disposals	(81)	(3)
Other non-cash expenses and income	1,578	1,252
Change in inventories	(22,634)	(24,195)
Change in receivables and contract assets	25,006	26,648
Change in (contract) liabilities	17,817	5,282
Change in other provisions	(222)	(1,680)
Cash flows from operating activities	**22,009**	**12,495**
Payments to acquire property, plant and equipment and intangible assets	(7,915)	(5,215)
Proceeds from asset disposals	173	90
Cash flows from investing activities	**(7,742)**	**(5,125)**
Change in financial liabilities	19	—
Lease payment	(304)	(189)
Cash flows from financing activities	**(285)**	**(189)**
Effect of exchange rate changes on cash and cash equivalents	323	177
Change in cash and cash equivalents	**14,305**	**7,358**
Cash and cash equivalents on March 31	**116,781**	**193,058**
Investments in loans	320	—
Gross liquidity on March 31	**117,101**	**193,058**
Financial liabilities	(6,397)	(5,043)
Net liquidity on March 31	**110,704**	**188,015**

Notes to the Condensed Interim Consolidated Financial Statements

(1) General principles

In accordance with Regulation 1606/2002 of the European Parliament and of the Council, RENK Aktiengesellschaft (RENK AG), Augsburg, prepared its consolidated financial statements for 2019 in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union.

These condensed interim consolidated financial statements of RENK AG as of March 31, 2020 were prepared in accordance with IAS 34 "Interim Financial Reporting" and do not contain all the information and disclosures in the notes that are required for consolidated financial statements as of the end of the fiscal year in accordance with IFRS, but rather should be read in conjunction with the IFRS consolidated financial statements published by the company for fiscal year 2019. The information in the notes presents the material circumstances needed in order to understand the changes in the net assets, financial position and results of operations of the RENK Group that have taken effect since December 31, 2019.

The interim consolidated financial statements have been prepared in euro, the functional currency of the RENK Group. All amounts have been rounded in line with commercial practice; this can result in minor deviations in the addition of figures.

(2) Accounting policies

RENK has implemented all for the group relevant financial reporting standards endorsed by the EU, that have been effective for financial periods since January 1, 2020.

Unless any changes are explicitly stated, the accounting policies used in the condensed interim consolidated financial statements are the same as those used in the last consolidated financial statements as of the end of fiscal year 2019. A detailed description of these methods can be found in the notes to the consolidated financial statements as of December 31, 2019.

A discount rate of 1.60% was used to calculate pension provisions in these interim financial statements.

The income tax expense in these interim consolidated financial statements is calculated on the basis of the effective income tax rate anticipated for the year as a whole.

In the opinion of the Executive Board, these condensed interim consolidated financial statements contain all the normal adjustments required for an appropriate presentation of the net assets, financial position and results of operations. The results for the first three months of fiscal year 2020 do not necessarily provide any indication of future business performance.

The Executive Board must make assumptions and estimates in preparing the condensed interim consolidated financial statements. These affect the amounts and reporting of the figures stated for assets, liabilities, income and expenses for the reporting period. The actual amounts incurred can differ from these estimates. In addition to the figures, the condensed interim consolidated financial statements also include notes on selected items.

(3) Significant events

Following the expiry of the service agreements with MAN SE as of March 31, 2020, which were entered into after the RENK Group left the MAN Group, the financial management of the RENK Group is performed by RENK AG's central Treasury function. In this context, RENK's inclusion in the central cash pooling of the MAN Group was ended and hedges entered into for RENK were transferred to RENK AG.

Due to RENKs business model the COVID-19 pandemic has so far had only a minor effect of RENK's financial position and results of operations in the first quarter. Intangible assets, in particular goodwill, and property, plant and equipment were tested for possible impairment as of March 31, 2020. As RENK currently assumes that the pandemic will be a temporary phenomenon that will not have a lasting negative impact on the Group's long-term business performance, various scenarios have been developed for 2020 in a departure from the last approved planning. The weighted average cost of capital (WACC) was also adjusted as of March 31, 2020. Overall, testing did not give rise to any impairment loss on assets.

(4) Basis of consolidation

In addition to RENK AG, which is domiciled in Augsburg and with Augsburg Local Court under HRB 6193, the condensed interim consolidated financial statements as of March 31, 2020 include the following wholly owned subsidiaries:

(4) Basis of consolidation (Continued)

- RENK France S.A.S., Saint-Ouen-1'Aumone, France
- RENK Corporation, Duncan (SC), USA
- RENK Test System GmbH, Augsburg
- RENK-MAAG GmbH, Winterthur, Switzerland
- RENK Systems Corporation, Camby (IN), USA
- Horstman Holdings Limited, Bath, UK
- Horstman Defence Systems Limited, Bath, UK
- Horstman Inc., Sterling Heights (MI), USA

Notes to the Consolidated Income Statement

(5) Sales revenue

€ thousand	2020 01.01.–31.03.	2019 01.01.–31.03.
Germany	28,390	29,275
Other EU countries	34,571	28,401
Asia	29,765	24,730
Americas	14,451	6,911
Other European countries	5,443	4,763
Africa	589	1,561
Australia and Oceania	158	850
	113,367	**96,492**

(6) Other operating income

€ thousand	2020 01.01.–31.03.	2019 01.01.–31.03.
Earnings from costs charged on	1,100	—
Income from currency translation differences and derivatives	1,041	278
Income from reversal of provisions	89	227
Miscellaneous other income	368	141
	2,598	**645**

Income from exchange rate changes and derivatives includes gains from exchange rate changes between the origination and payment date of receivables and liabilities in foreign currency and realized and unrealized price gains from the measurement of derivatives at the closing rate.

Income from costs charged on include costs passed on for consulting services and internal costs in connection with the disposal of the equity investment in RENK AG by the Volkswagen Group.

(7) Other operating expenses

€ thousand	2020 01.01.–31.03.	2019 01.01.–31.03.
Expenses from currency translation differences and derivatives	2,703	1,726
Expenses from costs charged on	901	—
Miscellaneous other expenses	384	181
	3,988	**1,908**

(7) Other operating expenses (Continued)

Expenses from exchange rate changes and derivatives include losses from exchange rate changes between the origination and payment date of receivables and liabilities in foreign currency and realized and unrealized price losses from the measurement of derivatives at the closing rate.

Expenses from costs charged on comprise consulting services in connection with the disposal of the equity investment in RENK AG by the Volkswagen Group.

(8) Earnings per share

	2020 01.01.–31.03.	2019 01.01.–31.03.
Profit after tax in € thousand	2,394	1,177
Weighted average shares outstanding (in thousands)	6,800	6,800
Earnings per share in €	**0.35**	**0.17**

In accordance with IAS 33, earnings per share are calculated from the consolidated profit after tax and the average number of shares outstanding in the period. There were no financial instruments as of either March 31, 2020 or March 31, 2019 that would dilute earnings per share.

Notes to the Consolidated Statement of Financial Position

(9) Property, plant and equipment

€ thousand	Mar. 31, 2020	Dec. 31, 2019
Land and buildings	89,645	85,212
Technical equipment and machinery	112,680	117,477
Other equipment, operating and office equipment	15,854	15,602
Prepayments and assets under construction	25,249	23,412
	243,429	**241,703**

The right-of-use assets from leases are included in land and buildings in the amount of € 5,883 thousand (December 31, 2019: € 6,005 thousand) and in other equipment, operating and office equipment in the amount of € 351 thousand (December 31, 2019: € 305 thousand).

(10) Other and financial investments

There were no changes in other and financial investments in the first quarter of fiscal year 2020.

The subsidiary Horstman Systems Inc., Woodbridge, Canada, was classified as a financial investment in fiscal year 2019 in conjunction with the acquisition of the Horstman Group. Owing to its ongoing loss situation, it was measured at a cost of zero in final purchase price allocation.

The subsidiary RENK Holding Canada Inc., Toronto, Canada, which was founded in fiscal year 2019 and is not consolidated, was recognized at a cost of € 2,067 thousand.

(11) Inventories

€ thousand	Mar. 31, 2020	Dec. 31, 2019
Raw materials, consumables and supplies	40,742	41,105
Finished goods and work in progress	210,543	186,724
Prepayments for inventories	2,158	2,603
	253,444	**230,432**

Inventories were written down by € 1,066 thousand as of March 31, 2020 (March 31, 2019: € 579 thousand).

(12) Trade receivables

€ thousand	Mar. 31, 2020	Dec. 31, 2019
Customer receivables	89,474	126,789
Receivables from affiliated companies	6,486	8,408
	95,960	**135,197**

(13) Other noncurrent and current assets and receivables

€ thousand	Mar. 31, 2020	Dec. 31, 2019
Customer prepayment receivables	33,443	20,967
Receivables from costs charged on	3,215	1,632
Prepaid expenses	2,829	2,391
Other tax assets	2,391	931
Commission claims	1,930	2,025
Receivables from suppliers	1,141	935
Refund claims	531	513
Derivative financial instruments	191	106
Miscellaneous other assets	1,310	1,514
	46,980	**31,014**

Receivables from costs charged on comprise the costs passed on to Volkswagen AG for the consulting services and internal cost related to preparing the disposal of the equity investment to RENK AG by the Volkswagen Group.

Other assets and receivables include noncurrent amounts of € 859 thousand as of March 31, 2020 (December 31, 2019: € 889 thousand).

(14) Other provisions

€ thousand	Mar. 31, 2020	Dec. 31, 2019
Warranties	32,411	33,348
Obligations to employees	9,702	9,930
Outstanding costs	5,471	4,831
Miscellaneous other provisions	7,508	7,108
	55,092	**55,217**

Other provisions break down according to maturity as follows:

€ thousand	Mar. 31, 2020	Dec. 31, 2019
Other noncurrent provisions	11,471	11,262
Other current provisions	43,622	43,954
	55,092	**55,217**

(15) Contract liabilities

€ thousand	Mar. 31, 2020	Dec. 31, 2019
Contract liabilities, noncurrent	66,536	73,450
Contract liabilities, current	82,120	74,950
Liabilities from customer prepayment receivables[1]	29,856	19,864
	178,511	**168,264**

(1) The net figures as of March 31, 2020 and December 31, 2019 contain only current amounts.

(16) Contingent liabilities

€ thousand	Mar. 31, 2020	Dec. 31, 2019
Contingent liabilities	26	27
	26	**27**

(17) Fair value disclosures

The RENK Group classifies financial instruments as follows:

- financial instruments at fair value;
- financial instruments at amortized cost; and
- financial instruments not assigned to an IFRS 9 measurement category.

The fair values were calculated based on the market conditions at the end of the reporting period and using generally accepted measurement methods. These are the prices at which one party would assume the rights or obligations from these financial instruments from an independent third party. The inputs for measuring fair value are largely unchanged compared to December 31, 2019. No significant influences from the Covid-19-pandemic had to be taken into account.

Fair value hierarchy

The classification and reporting of the fair values of financial instruments are based on a fair value hierarchy that reflects the significance of the inputs used for measurement and breaks down as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for an asset or liability either directly (as a price) or indirectly (derived from prices). The fair values of level 2 financial instruments are calculated based on the conditions at the end of the reporting period, such as interest rates or exchange rates, and using recognized models, such as discounted cash flow models or option pricing models.

Level 3: Inputs used for the measurement of the asset or liability not based on observable market data (unobservable inputs).

There were no reclassifications between levels 1 and 2 and no reclassifications into or out of level 3 as of March 31 in the 2020 and 2019 reporting periods.

The following table shows the classes of financial instruments included in statement of financial position items, broken down by the carrying amounts and fair values of financial instruments, and their allocation to the measurement categories as of March 31, 2020:

	At fair value				Not assigned to an IFRS 9 measurement category	Statement of financial position item as of March 31, 2020
	Through other comprehensive income(1)	Through profit or loss(2)	At amortized cost(3)			
€ thousand	Carrying amount	Carrying amount	Carrying amount	Fair value	Carrying amount	
Noncurrent assets						
Other and financial investments	2,975	—	—	—	12,395	15,370
Other financial assets			851	851	—	851
Current assets						
Trade receivables			95,960	95,960	—	95,960
Contract assets	—	—	—	—	2,528	2,528
Other financial assets	—	191	38,562	38,562	—	38,753
Cash and cash equivalents	—	—	116,781	116,781	—	116,781

(17) Fair value disclosures (Continued)

€ thousand	At fair value — Through other comprehensive income(1) — Carrying amount	At fair value — Through profit or loss(2) — Carrying amount	At fair value — At amortized cost(3) — Carrying amount	At fair value — At amortized cost(3) — Fair value	Not assigned to an IFRS 9 measurement category — Carrying amount	Statement of financial position item as of March 31, 2020
Noncurrent liabilities						
Noncurrent financial liabilities	—	—	5,044	5,044	—	5,044
Other financial liabilities	—	1,897	7	7	—	1,904
Current liabilities						
Current financial liabilities	—	—	1,354	1,354	—	1,354
Trade payables	—	—	37,838	37,838	—	37,838
Other financial liabilities	—	1,627	4,248	4,248	—	5,874

(1) Corresponds to the measurement category “Financial assets measured at fair value through other comprehensive income” under IFRS 9.

(2) Corresponds to the measurement category “Financial assets measured at fair value through profit or loss” under IFRS 9.

(3) Corresponds to the measurement category “Financial instruments measured at amortized cost” under IFRS 9.

The following table shows the classes of financial instruments included in statement of financial position items, broken down by the carrying amounts and fair values of financial instruments, and their allocation to the measurement categories as of December 31, 2019:

€ thousand	At fair value — Through other comprehensive income(1) — Carrying amount	At fair value — Through profit or loss(2) — Carrying amount	At fair value — At amortized cost(3) — Carrying amount	At fair value — At amortized cost(3) — Fair value	Not assigned to an IFRS 9 measurement category — Carrying amount	Statement of financial position item as of December 31, 2019
Noncurrent assets						
Other and financial investments	2,975	—	—	—	12,395	15,370
Other financial assets	—	5	855	855	—	860
Current assets						
Trade receivables	—	—	135,197	135,197	—	135,197
Contract assets	—	—	—	—	4,308	4,308
Other financial assets	—	—	22,997	22,997	—	22,997
Cash and cash equivalents	—	—	102,476	102,476	—	102,476
Noncurrent liabilities						
Noncurrent financial liabilities	—	—	5,181	5,181	—	5,181
Other financial liabilities	—	1,038	—	—	—	1,038
Current liabilities						
Current financial liabilities	—	—	1,284	1,284	—	1,284
Trade payables	—	—	41,235	41,235	—	41,235
Other financial liabilities	—	830	1,277	1,277	—	2,106

(1) Corresponds to the measurement category “Financial assets measured at fair value through other comprehensive income” under IFRS 9.

(17) Fair value disclosures (Continued)

(2) Corresponds to the measurement category "Financial assets measured at fair value through profit or loss" under IFRS 9.

(3) Corresponds to the measurement category "Financial instruments measured at amortized cost" under IFRS 9.

Cash and cash equivalents, trade receivables, other financial assets, financial liabilities, trade payables and miscellaneous financial liabilities predominantly have a short remaining term. Their carrying amounts as of the end of the reporting period therefore approximately match their fair value.

The future cash flows for derivative financial instruments without option components, such as currency forwards, are calculated using forward curves. The fair value of these instruments is the total of the discounted cash flows. The options on currency pairs are measured on the basis of standard option pricing models (Black-Scholes model).

Financial assets at fair value through other comprehensive income include equity shares of € 2,975 thousand for which the RENK Group exercises the option for measurement at fair value through other comprehensive income. In the context of recognition through other comprehensive income, the changes in fair value are recognized in equity after taking deferred taxes into account. A change in the significant, unobserva-ble inputs has no significant effect on equity or profit after tax, either in isolation or combination.

Financial assets and liabilities measured at fair value are level 2 of the fair value hierarchy with the exception of the other equity investment, which is level 3.

(18) Segment reporting

The activities of the RENK Group are divided into the reportable segments Special Gear Units, Vehicle Transmissions, Standard Gear Units and Slide Bearings. The management of each of these segments reports directly to the Executive Board of RENK AG in its function as the responsible chief operating decision maker.

The financial performance indicators for segments are sales revenue, operating profit and operating return on sales. The operating return on sales is the ratio of the operating profit generated to sales revenue. The non-financial performance indicator is order intake as measured by reference to binding incoming orders.

The RENK Group typically recognizes revenue at a point in time. The Vehicle Transmissions segment includes revenue recognized over a period of time of € 3,518 thousand (previous year: € 3,145 thousand).

€ thousand	Special Gear Units		Vehicle Transmissions		Standard Gear Units		Slide Bearings		Consolidation		Group	
Reporting period January 1 to March 31	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Order intake from third parties	113,811	40,575	25,192	30,967	15,980	14,952	23,504	23,850	0	—	178,487	110,344
Order intake from other segments	1,544	840	252	516	1,516	873	59	39	(3,371)	(2,267)	—	—
Total order intake	**115,355**	**41,415**	**25,444**	**31,483**	**17,496**	**15,825**	**23,563**	**23,889**	**(3,371)**	**(2,267)**	**178,487**	**110,344**
Sales revenue with third parties	23,775	22,185	50,977	36,905	15,570	17,811	23,045	19,591	—	—	113,367	96,492
Sales revenue with other segments	680	286	249	516	998	607	138	1,137	(2,064)	(2,546)	—	—
Total sales revenue	**24,455**	**22,471**	**51,226**	**37,421**	**16,569**	**18,418**	**23,183**	**20,728**	**(2,064)**	**(2,546)**	**113,367**	**96,492**
Order backlog[(1)]	**360,407**	**269,451**	**447,743**	**473,979**	**55,407**	**54,545**	**31,705**	**31,267**	**(9,773)**	**(8,463)**	**885,489**	**820,779**
Operating profit	**(5,809)**	**(6,923)**	**6,547**	**5,897**	**(148)**	**671**	**3,193**	**2,145**	**2**	**16**	**3,785**	**1,806**
Capital expenditures	2,277	2,257	3,982	2,245	1,307	263	463	469	—	—	8,029	5,234
Depreciation and amortization	2,197	2,056	2,375	1,412	831	835	610	555	(20)	(20)	5,993	4,838
Operating return on sales	**(23.8)%**	**(30.8)%**	**12.8%**	**15.8%**	**(0.9)%**	**3.6%**	**13.8%**	**10.3%**	**(0.1)%**	**(0.6)%**	**3.3%**	**1.9%**

(1) As of March 31, 2020, as against December 31, 2019.

Segment information is determined applying the same accounting policies as those used in the preparation of the consolidated financial statements. The composition of the segments is unchanged as against December 31, 2019; please see the corresponding comments in the 2019 consolidated financial statements.

Transactions between segments are performed on an arm's length basis.

(18) Segment reporting (Continued)

Segment information by region

€ thousand	Germany	Rest of Europe	Other regions	Total
2020				
Sales revenue	28,390	40,013	44,963	113,367
Payments to acquire property, plant and equipment and intangible assets	7,444	564	21	8,029
2019				
Sales revenue	29,275	33,164	34,053	96,492
Payments to acquire property, plant and equipment and intangible assets	4,954	278	2	5,234

(19) Related party disclosures

On January 30, 2020, Volkswagen Vermögensverwaltungs-GmbH, Wolfsburg, entered into a share purchase agreement with Rebecca BidCo GmbH (formerly: SCUR-Alpha 1138 GmbH) to acquire a total of 5,320,000 shares in RENK AG (representing 76% of share capital and voting rights). Rebecca BidCo GmbH (formerly: SCUR-Alpha 1138 GmbH) is held by Triton Investment Management Limited's "Triton V" fund.

The share purchase agreement is subject to merger control, other official approvals and certain other conditions, and has not yet been executed as of March 31, 2020.

There were no significant changes with regard to related parties as compared to the consolidated financial statements as of December 31, 2019.

There was no exchange of goods or services with the parent company of Volkswagen Vermögensverwaltungs-GmbH in the period from January 1 to March 31, 2020 or 2019.

The services provided to and received from related parties in the period from January 1 to March 31 in 2020 and 2019 were as follows:

€ thousand	Services rendered (income) 2020	Services rendered (income) 2019	Services received (expense) 2020	Services received (expense) 2019
Companies of the Volkswagen Vermögensverwaltungs Group, Volkswagen and Porsche Group	6,175	5,121	952	1,334
Unconsolidated subsidiaries and other equity investments	1,729	1,506	525	509

There were the following receivables from and liabilities to related parties as of March 31, 2020 and December 31, 2019:

€ thousand	Receivables 2020	Receivables 2019	Liabilities 2020	Liabilities 2019
Companies of the Volkswagen Vermögensverwaltungs Group, Volkswagen and Porsche Group	8,197	106,105	2,600	4,444
Unconsolidated subsidiaries and other equity investments	2,109	2,747	688	996

RENK AG has assumed guarantees of € 24 thousand for customers of its non-consolidated subsidiaries.

As a result of the end of cash pooling with MAN SE, there are no financial management receivables from MAN SE as of March 31, 2020 (December 31, 2019: € 98,666 thousand).

(20) Changes in the Supervisory Board

The members of the Supervisory Board Ms. Karina Schnur and Mr. Roberto Armellini resigned effective December 31, 2019. The Augsburg Local Court (court of registration) appointed Ms. Angela Steinecker and Mr. Sascha Dudzik as their successors effective January 29, 2020.

(21) Events after the end of the reporting period

There were no reportable events after March 31, 2020.

RENK AG, Augsburg

RENK Consolidated Financial Statements
for the Fiscal Year from January 1 to December 31, 2019

Contents

Consolidated Income Statement

€ thousand	Note	2019	2018
Sales revenue	**[6]**	**558,609**	**502,218**
Cost of sales		(428,790)	(383,442)
Gross profit		**129,819**	**118,776**
Other operating income	[7]	8,350	7,418
Net allowances on financial assets	[21]	(683)	(508)
Distribution expenses		(39,732)	(37,412)
General administrative expenses		(27,520)	(22,342)
Other operating expenses	[8]	(9,811)	(5,721)
Operating profit		**60,423**	**60,213**
Interest expense	[9]	(828)	(400)
Other financial result	[9]	2,728	1,802
Financial result		**1,900**	**1,402**
Profit before taxes		**62,323**	**61,615**
Income tax expense	[10]	(18,152)	(19,105)
Profit after tax (share of RENK shareholders)		**44,171**	**42,510**
Earnings per share in €(basic and diluted)	**[11]**	**6.50**	**6.25**

Reconciliation to Total Comprehensive Income for the Period

€ thousand	2019	2018
Profit after tax	**44,171**	**42,510**
Items not reclassified to profit or loss		
Remeasurement of pension plans[1]	1,942	(2,195)
Deferred taxes[1]	940	(57)
Remeasurement of other and financial investments	—	(552)
Deferred taxes	—	9
	2,882	**(2,796)**
Items reclassified to profit or loss in the future		
Currency translation differences[1]	1,672	1,130
Change in fair values of derivative financial instruments (hedging instruments)	—	(320)
Deferred taxes	—	103
	1,672	**913**
Other comprehensive income for the period	**4,554**	**(1,883)**
Total comprehensive income	**48,724**	**40,627**

(1) No deferred taxes relate to currency translation differences.

Consolidated Statement of Financial Position

Assets in € thousand	Note	Dec. 31, 2019[(1)]	Dec. 31, 2018
Intangible assets	[14] [15]	42,287	2,384
Property, plant and equipment[(2)]	[16]	241,703	210,041
Other and financial investments	[17]	15,370	11,282
Deferred tax assets	[10]	9,606	6,295
Other non-current financial assets	[22] [33]	860	3
Other non-current receivables	[22]	29	3
Non-current assets		**309,855**	**230,008**
Inventories	[18]	230,432	196,578
Trade receivables	[19] [21]	135,197	104,854
Contract assets	[20] [21]	4,308	5,718
Current income tax receivables		2,418	8,253
Other current financial assets	[22] [33]	22,997	15,800
Other current receivables	[22]	7,128	6,451
Cash and cash equivalents	[23]	102,476	185,700
Current assets		**504,956**	**523,353**
		814,811	753,361
Equity and liabilities in € thousand			
Subscribed capital		17,920	17,920
Capital reserves		10,669	10,669
Retained earnings		461,121	431,910
Accumulated other comprehensive income		(6,011)	(10,564)
Equity	**[24]**	**483,699**	**449,935**
Non-current financial liabilities[(2)]	[27]	5,181	—
Pension provisions	[25]	14,233	16,023
Deferred tax liabilities	[10]	9,229	—
Contract liabilities, non-current	[29]	73,450	81,993
Other non-current provisions	[26]	11,262	8,555
Other non-current financial liabilities	[30] [33]	1,038	120
Other non-current liabilities	[30]	25	51
Non-current liabilities and provisions		**114,418**	**106,742**
Current financial liabilities[(2)]	[27]	1,284	—
Effective income tax liabilities		2,890	1,898
Trade payables	[28]	41,235	39,407
Contract liabilities, current	[29]	94,814	80,392
Current income tax payables		976	159
Other current provisions	[26]	43,954	43,522
Other current financial liabilities	[30] [33]	2,106	2,129
Other current liabilities	[30]	29,435	29,176
Current liabilities and provisions		**216,694**	**196,683**
		814,811	753,361

(1) Carrying amounts for the reporting period include adjustment effects from first-time consolidation. Please see "Business combination".

(2) Please see "New and revised accounting pronouncements and methods".

Consolidated Statement of Changes in Equity[1]

€ thousand	Subscribed capital	Capital reserves	Retained earnings	Other comprehensive income for the period	Currency translation	Total
Before adjustment on Dec. 31, 2017	**17,920**	**10,669**	**404,652**	**(14,869)**	**3,479**	**421,851**
Change in accounting due to IFRS 9 and IFRS 15	—	—	(291)	2,709	—	2,418
After adjustment on Jan. 1, 2018	**17,920**	**10,669**	**404,361**	**(12,161)**	**3,479**	**424,268**
Profit after tax	—	—	42,510	—	—	42,510
Other comprehensive income for the period	—	—	—	(3,013)	1,130	(1,883)
Total comprehensive income	**—**	**—**	**42,510**	**(3,013)**	**1,130**	**40,627**
Dividends paid	—	—	(14,960)	—	—	(14,960)
As of Dec. 31, 2018	**17,920**	**10,669**	**431,910**	**(15,173)**	**4,609**	**449,935**
Profit after tax	—	—	44,171	—	—	44,171
Other comprehensive income for the period	—	—	—	2,882	1,672	4,554
Total comprehensive income	**—**	**—**	**44,171**	**2,882**	**1,672**	**48,724**
Dividends paid	—	—	(14,960)	—	—	(14,960)
As of Dec. 31, 2019	**17,920**	**10,669**	**461,121**	**(12,291)**	**6,280**	**483,699**

(1) Please see "Equity".

Consolidated Statement of Cash Flows[1]

€ thousand	Note	2019	2018
Cash and cash equivalents at beginning of period		**185,700**	**198,553**
Profit before taxes		62,323	61,615
Income taxes paid		(11,594)	(17,336)
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment	[15] [16]	23,398	19,013
Reversal of impairment loss of other and financial investments	[17]	(2,021)	—
Change in provisions for pension obligations		139	3,364
Gains/losses from asset disposals		(48)	(327)
Other non-cash expenses and income		204	1,738
Change in inventories		(25,091)	(15,408)
Change in receivables and contract assets		(28,581)	(30,328)
Change in (contract) liabilities		(14,080)	17,481
Change in other provisions		2,813	(5,105)
Cash flows from operating activities[2]		**7,462**	**34,706**
Payments to acquire property, plant and equipment and intangible assets	[15] [16]	(33,331)	(35,361)
Capital contributions in other and financial investments, acquisition of subsidiaries	[17]	(46,427)	(1,669)
Cash inflow from first-time consolidation		6,302	—
Proceeds from asset disposals		536	3,885
Cash inflow/outflow from deposits		(302)	8
Cash flows from investing activities		**(73,222)**	**(33,136)**
Dividends paid	[24]	(14,960)	(14,960)
Change in financial liabilities		(1,932)	—
Lease payment[3]		(1,076)	—
Cash flows from financing activities		**(17,968)**	**(14,960)**
Effect of exchange rate changes on cash and cash equivalents		504	538
Change in cash and cash equivalents		**(83,224)**	**(12,853)**
Cash and cash equivalents at end of period	[23]	102,476	185,700
Financial investments in loans		**342**	**—**
Gross liquidity at end of period		102,818	185,700
Financial liabilities[3]		(6,466)	—
Net liquidity at end of period[3]		**96,352**	**185,700**

(1) Please see "Statement of Cash Flows".

(2) The cash flows from operating activities include interest income of € 372 thousand (previous year: € 128 thousand), interest expenses of € 458 thousand (previous year: € 87 thousand) and income from other and financial investments of € 699 thousand (previous year: € 1,979 thousand).

(3) Please see "New and revised accounting pronouncements and methods".

Notes to the Consolidated Financial Statements

Principles of Financial Reporting

(1) General principles

RENK Aktiengesellschaft (hereinafter: RENK AG) is a listed corporation domiciled at Gögginger Strasse 73, Augsburg, Germany. It is registered with Augsburg Local Court under HRB 6193. The RENK Group develops, produces and distributes high-quality drive technology worldwide. Its divisions are Special Gear Units, Vehicle Transmissions, Standard Gear Units and Slide Bearings.

As a 76%-owned subsidiary of Volkswagen Vermögensverwaltungs-GmbH (formerly: Volkswagen Klassik GmbH), Wolfsburg, a direct, wholly-owned subsidiary of VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg (VW AG), RENK AG is included in the consolidated financial statements of VW AG published in the Bundesanzeiger (Federal Gazette) (largest basis of consolidation). Volkswagen Vermögensverwaltungs-GmbH (formerly: Volkswagen Klassik GmbH) exercises the exemption provided by section 291 of the Handelsgesetzbuch (HGB—German Commercial Code) and does not prepare its own consolidated financial statements or Group management report.

These consolidated financial statements of RENK AG (smallest group) for the fiscal year from January 1 to December 31, 2019 were prepared in line with section 315e(1) of the German Commercial Code (HGB) in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as applicable in the European Union as per Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, and the supplementary provisions of the Articles of Association. They were prepared on February 18, 2020 and approved for submission to the Supervisory Board by way of resolution of the Executive Board.

The consolidated financial statements have been prepared in euro, the functional currency of the RENK Group. Unless stated otherwise, all figures are in thousands of euro (€ thousand). Minor differences in totals or percentages can occur as a result of the commercial rounding of amounts.

(2) Consolidation and measurement of equity investments

(a) Equity investments

The equity investments of RENK AG include subsidiaries, other equity investments and financial investments. All material domestic and foreign subsidiaries that RENK AG controls directly or indirectly are included in the consolidated financial statements. Control exists when RENK AG directly or indirectly has power over the potential subsidiary on the basis of voting or other rights, is exposed to positive and negative variable returns and can affect the amount of the variable returns on the basis of voting rights.

Other equity investments include interests in non-consolidated affiliated companies and financial investments.

(b) Basis of consolidation

Companies included

In addition to RENK AG, the consolidated financial statements include the following wholly owned subsidiaries:

- RENK France S.A.S., Saint-Ouen-l'Aumône, France
- RENK Corporation, Duncan (SC)/USA,
- RENK Test System GmbH, Augsburg,
- RENK-MAAG GmbH, Winterthur, Switzerland
- RENK Systems Corporation, Camby (IN), USA
- Horstman Holdings Limited, Bath, UK,
- Horstman Defence Systems Limited, Bath, UK
- Horstman Inc., Sterling Heights (MI), USA

Effective April 16, 2019, RENK AG acquired all shares in Horstman Holdings Limited, Bath, UK, the world's leading provider of mobility solutions for armored wheeled and tracked vehicles. The converted purchase

(2) Consolidation and measurement of equity investments (Continued)

price, paid in cash, was € 44.4 million, representing a net investment volume of € 37.7 million. The aim of this acquisition is to expand the product portfolio of the Vehicle Transmissions strategic business unit, to broaden RENK's expertise in vehicle powertrains and to enhance its global presence.

From the Horstman Group, Horstman Holdings Limited, Bath, UK, Horstman Defence Systems Limited, Bath, UK, and Horstman Inc., Sterling Heights (MI), USA, are included in RENK AG's consolidated financial statements. Horstman Systems Inc., Woodbridge, Canada, is not included in the consolidated financial statements as of December 31, 2019 as it is insignificant to the RENK Group's net assets, financial position and results of operations.

Considerable intangible assets such as customer relationships and technologies were acquired. Please see the explanatory notes under "Business combination" and "Intangible assets".

There was no separate reportable goodwill as of the reporting date in the previous year.

Companies not included

The subsidiaries and financial investments not included in the consolidated financial statements are insignificant overall to the net assets, financial position and results of operations of the RENK Group. These are recognized in the consolidated financial statements at their respective cost, taking into account any impairment losses required.

Please see the corresponding note for a full list of shareholdings of the RENK Group.

As stated above, Horstman Systems Inc., Woodbridge, Canada, a wholly-owned subsidiary of Horstman Holdings Limited, Bath, UK, is not included in the consolidated financial statements.

RENK AG founded RENK Holding Canada Inc., Toronto, Canada, as the sole shareholder, by entering it in the Commercial Register on August 14, 2019. Converted into euro, seed capital came to around € 2,067 thousand. RENK Holding Canada Inc. will be responsible exclusively for managing the RENK Group's the financial investment in Canada. It is not included in the consolidated financial statements on account of the lack of operating activities and the immaterial overall impact on the RENK Group's net assets, financial position and results of operations.

(c) Other equity investments and financial investments

Other investments comprise unconsolidated subsidiaries measured at cost.

Financial investments are measured at fair value through profit or loss. Financial investments in equity instruments that are not held for trading and that do not represent contingent consideration in a business combination can be recognized at fair value through other comprehensive income. Gains and losses from cumulative changes in value recognized in other comprehensive income are not reclassified to profit or loss on subsequent derecognition, e.g. when the equity investment is sold. Dividends from financial investments are recognized in profit or loss unless they represent a repayment of the cost.

Effective August 23, 2019, the newly established RENK Holding Canada Inc., Toronto, Canada, acquired 17.54% of shares in the company Modest Tree Media Inc., Halifax, Canada, for a converted purchase price of around € 2,067 thousand. The company's principle activities involve developing software solutions for virtual reality. The aim of the financial investment is to move forward market expansion plans by developing digital communications solutions in the engineering industry.

(d) Currency translation

Transactions in foreign currencies are translated using the relevant exchange rates at the time of the transaction. In subsequent periods, monetary assets and liabilities are measured at the middle rate at the end of the reporting period; exchange rate differences are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. On initial recognition of an asset, expense or income that includes prepayments received or made, the exchange rate at which the non-monetary items from prepayments were translated on the date of the transaction is used.

(2) Consolidation and measurement of equity investments (Continued)

The financial statements of companies from countries outside the euro area are translated into euro using the functional currency concept. The functional currency is determined by the primary economic environment, it is the respective local currency of the companies consolidated.

The financial statements are translated using the modified current rate method, according to which items in the statement of financial position—except equity—are translated using the rate at the end of the reporting period, while income statement items are translated using weighted average exchange rates. Except for other comprehensive income, equity is translated at historic rates. The resulting translation differences are recognized in other comprehensive income until the disposal of the subsidiary and reported as a separate item in equity.

Overview of key exchange rates

	Middle rate		Average price(1)	
	Dec. 31, 2019	Dec. 31, 2018	2019	2018
US dollar	1.12275	1.14525	1.11113	1.13855
Swiss franc	1.08545	1.12640	1.09215	1.12914
Pound sterling	0.84995	0.89690	0.84785	0.8975
Chinese yuan	7.81470	7.87725	7.79400	7.84092
Japanese yen	121.89500	125.91000	121.26364	127.67833

(1) Weighted average price

(3) Accounting principles

The presentation in the statement of financial position distinguishes between current and non-current assets and liabilities. Assets and liabilities are classified as current if they are due within one year or within the longer operating cycle. Deferred tax assets and liabilities and assets and provisions from defined benefit pension plans are shown as non-current items. The consolidated income statement has been prepared using the cost of sales method.

With the exception of certain items such as financial instruments at fair value and provisions for pensions and similar obligations, the consolidated financial statements are prepared on the basis of cost.

The consolidated financial statements are based on the financial statements of RENK AG and its consolidated subsidiaries, which are prepared using the same Group-wide accounting policies as the Volkswagen Group.

The accounting principles describe the regulations and methods applied in fiscal year 2019, taking into account the first-time adoption of IFRS 16 “Leases”. These new regulations entail some considerable differences in accounting methods and changes in presentation and reporting compared to the previous year. The accounting requirements were implemented using the modified retrospective transition method, whereby the amounts in the opening statement of financial position were adjusted in other comprehensive income. Previous year figures were not adjusted. Please see the consolidated financial statements of RENK AG as of December 31, 2018 for a description of the accounting policies applied in the previous year prior to the first-time adoption of IFRS 16.

(a) Revenue recognition

When control of an asset is transferred to the customer, the entity satisfies its performance obligation and the corresponding sales revenue can be recognized. The asset comprises contractually agreed goods and services. At contract inception it is determined whether the performance obligation is satisfied over time. If the requirements for this are not met, the performance obligation is satisfied at a point in time. Assurance-type warranties must be taken into account in performance obligations.

Performance obligations are recognized over time in the following cases:

- The services rendered that benefit the customer are consumed by the customer at the same time that the services are rendered.

(3) Accounting principles (Continued)

- The assets created or processed are controlled by the customer during performance by the entity.
- The assets created have no alternative use for the entity and the entity has an enforceable right to payment by the customer for the performance completed to date.

Sales revenue from performance obligations fulfilled over time is accounted for using the percentage of completion method. RENK calculates the percentage of completion using the input method to estimate the costs incurred relative to the total expected costs. The contract costs incurred are the best measure of the satisfaction of performance obligations. If the expected costs exceed the expected sales revenue, the expected loss is immediately recognized in full as an expense by writing down capitalized assets and recognizing provisions if necessary.

The amount of sales revenue is determined by the transaction price, which is equal to the expected consideration including possible variable remuneration components. If variable consideration has been agreed in a contract, sales revenue is estimated using the most likely amount method. Variable consideration is only taken into account in the transaction price if it is highly probable that it will arise. For multi-component contracts, the total transaction price is allocated to the individual, distinct performance obligations relative to the stand-alone selling prices.

Costs of obtaining or fulfilling a contract are not capitalized as the necessary requirements are not met.

(b) Operating expenses

Operating expenses are recognized when the service is utilized; expenses for advertising and sales promotion and other sales-related expenses are recognized at the time they are incurred. The cost of sales consists of costs of the products and merchandise sold. In addition to the direct material and manufacturing costs, production costs also comprise production-related overheads, including depreciation of production equipment.

Warranty provisions are recognized when the products are sold. Expenses for research are immediately recognized in profit or loss. Interest and other borrowing costs are recognized as expenses in the period in which they arise, with the exception of borrowing costs that are capitalized as part of the cost of qualifying assets. A qualifying asset is an asset that necessarily takes a period of at least a year to get ready for its intended use or sale. No borrowing costs were recognized in either of the past two fiscal years.

(c) Intangible assets

Individually acquired intangible assets are carried at cost. Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

If the intangible assets have a finite useful life they are amortized on a straight-line basis over their period of use. The amortization period for software is predominantly three years. Licenses and similar rights are amortized over their contractual terms of use. The customer relations acquired as part of the Horstman acquisition are amortized over a period of between 15 and 30 years, with technology amortized over 10 to 30 years and the brand over 30 years. There is no amortization if the useful life cannot be determined. Instead, the intangible assets are tested for impairment at least once a year and impairment losses are recognized if necessary. The acquisition of the Horstman Group resulted in goodwill to be capitalized (previous year: no goodwill). This goodwill was assigned to the cash-generating units to test it for impairment. It is assigned to the place expected to benefit from the business combination from which the goodwill arose. There were no other reportable intangible assets without a finite useful life in the current fiscal year or in the previous year.

Expenses for the development of new products or series are capitalized when the new products or series are technically and economically feasible, are scheduled for internal use or for sale, the expenses can be measured reliably and sufficient resources to complete the development project are available. Development costs that do not meet these criteria and all research costs are recognized immediately in profit or loss. The capitalized development costs are amortized on a straight-line basis from the date of launch, typically over five to seven years. While a development project is still in progress, the amounts capitalized to date are tested for impairment at least annually. No such development costs were capitalized as of the end of the 2019 and 2018 reporting periods.

(3) Accounting principles (Continued)

(d) Property, plant and equipment

Property, plant and equipment are measured at historic cost less depreciation and impairment losses. Investment grants are deducted from cost. The cost of internally generated assets includes directly attributable production costs and pro rata production overheads. Where property, plant and equipment consist of material identifiable components with different useful lives, these components are recognized and depreciated separately. Borrowing costs were not included in cost for the 2019 and 2018 fiscal years.

Expenses for maintenance and repairs are recognized in profit or loss, unless they must be capitalized.

Property, plant and equipment are depreciated on a straight-line basis over their expected useful life. The useful lives of property, plant and equipment are reviewed at the end of each reporting period and adjusted if necessary. Depreciation is essentially based on the following useful lives:

in years	
Buildings	10 to 50
Improvements	5 to 33
Technical equipment and machinery	5 to 21
Other equipment, operating and office equipment	3 to 15

(e) Leases

Under lessee accounting, the RENK Group's leases for property, plant and equipment (investment leases) are recognized as right-of-use assets and lease liabilities in the statement of financial position.

The lease liability is recognized at the amount of the future lease payments discounted at the incremental borrowing rate over the entire term of the lease. During the term of the lease, the lease liability is carried forward using the effective interest method and taking lease payments into account.

The right-of-use asset is recognized at the amount of the lease liability plus initial direct costs. In subsequent periods, the right-of-use asset is to be amortized on a straight-line basis over the term of the lease or the economic life, when this is shorter.

The right-of-use assets shown in the statement of financial position are reported in those statement of financial position items in which the assets to which the lease relates would have been reported if the RENK Group had owned them. The right-of-use assets are therefore reported under non-current assets in property, plant and equipment as of the end of the reporting period.

The practical expedients applied for short-term and low-value leases mean that no right-of-use asset or lease liability is recognized for these leases. The lease payments for these are recognized in the income statement as an expense. Low-value leases are leases where the new value of the leased asset does not exceed € 5,000. Leases with a total term of up to 12 months are classed as short-term. The IFRS 16 accounting requirements are not applied to leases for intangible assets.

Many leases include extension and termination options. All relevant factors and circumstances that create an economic incentive to exercise or not exercise the option are taken into account when determining the lease terms. Optional periods are taken into account when determining the lease term if it is reasonably certain that the option will be exercised or not exercised.

Lessors distinguish between finance and operating leases on the basis of the distribution of the risks and opportunities from the asset. Assets from operating leases are carried at cost and depreciated to their residual value on a straight-line basis over the lease term. Impairment is recognized in the form of write-downs and adjustments to the lease installments. Lease payments received in the period are recognized as income in the income statement. RENK did not act as a lessor in the fiscal year 2019 or in the previous year.

There were no sale and leaseback transactions at the RENK Group either in the reporting period or in the previous year.

(3) Accounting principles (Continued)

(f) Impairment

If there are indications that the carrying amounts of intangible assets, property, plant and equipment, other equity investments and financial investments or other receivables may be impaired, an impairment test is performed. Intangible assets with indefinite useful lives, capitalized development costs and goodwill are tested for impairment at least annually. With the exception of the capitalized goodwill from the Horstman acquisition, none of these statement of financial position items were subject to an annual impairment test as of the end of the 2019 and 2018 reporting periods at the RENK Group.

The recoverable amount of the asset in question is calculated to determine the extent of a possible impairment loss. The recoverable amount is the higher of the fair value less costs to sell and value in use.

The value in use is the present value of the expected cash flows determined on the basis of current planning by the management. This planning is based on expectations regarding future development of the various individual markets. Appropriate assumptions about macroeconomic trends (development of currency, interest and commodities prices) and historical developments are taken into account. The planning period covers a five-year period. Please see the forecast in the Management Report for information on the assumptions in the detailed planning period. Plausible assumptions on future developments are made for subsequent years. Planning assumptions are adjusted to take account of current knowledge.

The calculation of cash flows is based on expected growth rates for the markets in question. The cash flows estimate after the end of the planning period is based on a growth rate identical to the previous year of up to 1% p.a.

A weighted average cost of capital before taxes (WACC) that reflects the market conditions is used as the discount rate. The discount rate is calculated on the basis of the interest rate for risk-free investments, a market risk premium and the borrowing rate and taking into account specific peer group information for the beta factors and the debt-to-equity ratio. The underlying assumptions are reviewed on an ongoing basis and adjusted as necessary. The weighted average cost of capital applied in the fiscal year 2019 was 6.5% (previous year: 7.7%).

If a recoverable amount cannot be determined for an individual asset, the recoverable amount of the smallest identifiable cash-generating unit to which the asset in question can be assigned is determined. If the recoverable amount of an asset is lower than its carrying amount, an impairment loss on the asset is immediately recognized in profit or loss.

If an asset or cash-generating unit on which an impairment loss was recognized later has a higher recoverable amount, an impairment loss is reversed up to no higher than the amortized cost that would have resulted without the impairment. The impairment loss is reversed in profit or loss and is recognized in other operating income. The reversal of impairment losses on goodwill is not permitted. The write-down for the carrying amounts of investments in the non-consolidated subsidiaries was reversed through profit or loss in the amount of € 2,021 thousand at the RENK Group as of December 31, 2019 (previous year: no reversal). No goodwill was written down in the current or in the previous fiscal year.

Please see “(i) Primary financial instruments” for information on impairment in connection with financial assets.

(g) Inventories

Inventories are measured at the lower of cost or net realizable value. Cost includes directly attributable production costs and pro rata fixed and variable production overheads. The allocated overheads are mostly determined on the basis of normal capacity utilization. Distribution expenses, general and administrative expenses and borrowing costs are not capitalized. Raw materials and merchandise are measured at weighted average cost.

(h) Contract assets and liabilities

When either party to a contract has satisfied its performance obligations, the entity must recognize a contract asset or a contract liability, depending on whether the entity has satisfied its performance obligation or the customer has paid. Unconditional rights to consideration must also be taken into account.

(3) Accounting principles (Continued)

In the RENK Group, contract assets result from the satisfaction over time of performance obligations accounted for using the percentage of completion method. Under this method, pro rata sales revenue and the cost of sales are reported in accordance with the progress achieved by the end of the reporting period. This is calculated based on the transaction price agreed with the customer and the expected contract costs. The percentage of completion is calculated as the proportion of the costs incurred by the end of the reporting period in the total forecast contract costs (cost to cost method). If the result of a performance obligation cannot be reliably determined, sales revenue is only recognized in the amount of the contract costs incurred (zero profit method). Under the percentage of completion method, the parts of the contract for which sales revenue has been received are recognized net of prepayments received under prepayments received in the statement of financial position.

Expected losses from performance of obligations over a period of time are immediately recognized in full as an expense by writing down capitalized assets and recognizing provisions.

Contract liabilities comprise prepayments received and the contra entry for unconditional customer prepayment receivables, i.e. liabilities from prepayments to be received.

(i) Primary financial instruments

Financial instruments are agreements that give rise to a financial asset at one entity while at the same time giving rise to a financial liability or equity instrument at another. Regular way purchases and sales of financial instruments are recognized at the settlement date, i.e. the date on which the asset is delivered.

Primary financial instruments include, in particular, trade receivables, financial investments, securities, cash and cash equivalents, financial liabilities and trade payables. Primary financial instruments are carried at fair value less or plus transaction costs on initial recognition. This excludes financial instruments recognized at fair value through profit or loss and trade receivables that do not have significant financing components, which are recognized at transaction price in accordance with IFRS 15. Fair value on initial measurement is generally the transaction price, i.e. the consideration given or received.

On initial recognition, financial assets are classified as follows based on the business model applied and the structure of cash flows:

- at amortized cost;
- at fair value through other comprehensive income (debt instruments);
- at fair value through other comprehensive income (equity instruments);
- at fair value through profit or loss.

Financial liabilities are assigned to the following categories:

- at amortized cost;
- at fair value through profit or loss.

The option of recognizing financial assets and liabilities at fair value through profit or loss is not exercised in the RENK Group.

Subsidiaries that are not consolidated for reasons of materiality and financial instruments from rights and obligations under IFRS 15 “Revenue from Contracts with Customers” are not assigned to a measurement category under IFRS 9 “Financial Instruments”, though the impairment provisions of IFRS 9 must be taken into account for the latter financial assets on account of an exemption.

Regarding financial assets (debt instruments) for which the cash flows at specified dates are solely payments of principal and interest (SPPI criterion), RENK exclusively intends to hold these to collect the associated cash flows.

These financial assets are thus measured at amortized cost. The amortized cost of a financial asset or financial liability is the amount:

- at which the financial asset or financial liability is measured on initial recognition;

(3) Accounting principles (Continued)

- less any repayments;
- less any recognized loss allowances, write-downs for impairment on or the uncollectibility of financial assets; and
- plus or minus the cumulative amortization of any difference between the original amount and the amount repayable on maturity (premium, discount) using the effective interest method.

In the RENK Group, the “Financial assets at amortized cost” category mainly comprises trade receivables, other financial assets and cash and cash equivalents. Non-interest-bearing and low-interest-bearing receivables with a remaining term of more than twelve months are discounted by discounting the future cash flows at the market rate, though there were no such receivables as of the end of the reporting periods December 31, 2019 and December 31, 2018.

RENK has no financial assets held under a business model that intends both collecting contractual cash flows and selling financial assets.

The credit risk of financial assets at amortized cost and contract assets under contracts with customers is taken into account by the recognition of Group-wide loss allowances for expected credit losses (expected credit loss model) and by recognizing impairment for the losses already incurred. A potential impairment is assumed not just if certain circumstances apply—such as late payments over a certain period, the initiation of enforcement measures, imminent insolvency or over-indebtedness, application for insolvency proceedings or failure of restructuring measures—but also for receivables not past due. In addition to the above objective indications, the length of time payments are past due is also taken into account in assessing increases in credit risk.

To calculate loss allowances, insignificant receivables and significant individual receivables without evidence of impairment are grouped into homogeneous portfolios based on common credit risk characteristics and broken down by risk class. Average historical probabilities of default in conjunction with the future parameters of the respective portfolio are used to calculate the amount of impairment.

Impairment for expected credit losses is calculated using a general approach based on the allocation of financial assets to the following stages:

Level 1:

For financial assets for which the risk of default has not increased significantly since initial recognition, a loss allowance is recognized for expected cash shortfalls within the next twelve months after the end of the reporting period.

Level 2:

For financial assets for which the risk of default has increased significantly at the end of the reporting period compared to the initial risk, a loss allowance is recognized for the lifetime expected credit losses of the financial instrument. The entity must obtain extensive and forward-looking information to assess a significant increase.

Level 3:

If there is objective evidence of impairment since the last reporting date, the financial assets are stage 3 and loss allowances are recognized on the basis of expected losses for their entire remaining term.

Regardless of the stages of the general approach described above, a loss allowance is recognized over the entire term of financial assets from the time of their addition if there is already objective evidence that they are credit-impaired on initial recognition.

The gross carrying amount of financial assets is written down if there is no valid expectation that the obligor will settle its liability in full or in part or that collateral can be realized, e.g. on the opening of insolvency proceedings or the failure of restructuring measures.

Loss allowances on trade receivables and contract assets are recognized in accordance with the simplified approach of IFRS 9. Under this method, the expected credit losses over the total remaining term of receivables

(3) Accounting principles (Continued)

and contract assets are calculated on the basis of a provision matrix with rates graded depending on the number of days that a receivable is past due. These rates are based on historical loss rates and forward-looking factors.

If there is objective evidence of individual impairment, the provision matrix is disregarded and a specific valuation allowance is recognized on trade receivables in the amount of the losses already incurred in line with stage 3 of the general approach.

Bad debt allowances on receivables are usually recognized in a separate allowance account. They are derecognized at the same time as the corresponding impaired receivable.

Financial assets at fair value through other comprehensive income include financial investments (equity instruments) for which the RENK Group exercises the irrevocable option for measurement at fair value through other comprehensive income. In the context of recognition through other comprehensive income, the changes in fair value after taking deferred taxes into account and all foreign exchange components are recognized in accumulated other comprehensive income. Reclassification to profit or loss when the financial asset is sold is not permitted, and instead reclassification is to retained earnings on disposal of the equity investment. Any dividends are recognized in profit or loss unless they represent a repayment of the cost.

With the exception of derivative financial instruments, financial liabilities are subsequently measured at amortized cost.

Financial assets and liabilities are reported at their gross value. They are only offset when this is legally enforceable for RENK at the current time and it actually intends to offset them.

RENK used the central financial management of the MAN Group in the year under review. Under a cash pooling process, the balances of the RENK accounts included are closed out by MAN SE, Munich, (hereinafter MAN SE), usually daily, and thus transformed into receivables from/liabilities to MAN SE. As part of its central financial management, MAN SE manages and guarantees the RENK Group's liquidity and credit supply with corresponding transactions on the international financial markets. Given their cash-like nature, RENK reports the receivables from financial transactions with MAN SE as cash and cash equivalents. They essentially result from central cash pooling and from highly liquid investments of a temporary nature at MAN SE. By contrast, deposits made with MAN SE of an investment nature are reported as other assets. Analogously, liabilities resulting from the central financial management of the MAN Group are reported as financial liabilities.

(j) Derivative financial instruments

The RENK Group uses derivative financial instruments to hedge foreign currency, interest rate and other price risks that can mainly arise from operating activities. The most important derivative financial instruments for RENK are currency forwards and options.

Derivative financial instruments are measured at fair value on initial recognition and at the end of each subsequent reporting period. Derivative financial instruments are recognized on the trade date. Gains and losses from measurement at fair value are recognized in profit or loss.

The fair value for listed derivatives is their positive or negative market value, taking counterparty risk into account as applicable. If no quoted market prices are available, fair values are calculated based on the conditions at the end of the reporting period, such as interest rates or exchange rates, and using recognized models, such as discounted cash flow models or option pricing models.

RENK did not use hedge accounting in fiscal year 2019 or in fiscal year 2018. Hedge accounting in accordance with IFRS 9 is therefore not described here.

(k) Income tax expense

Tax liabilities include current income tax liabilities.

Deferred taxes are reported in separate items of the statement of financial position and the income statement. Provisions for potential tax risks are recognized based on the best possible estimate. The likely amount of the tax arrears payment is used as a basis for recognized income tax items.

(3) Accounting principles (Continued)

Deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and the tax basis, for temporary differences in profit or loss arising on consolidation and for tax credits and tax loss carryforwards. Deferred taxes are measured at the prevailing tax rate at the end of the reporting period or the future tax rate highly likely to be used.

Deferred tax assets are only recognized to the extent that taxable profit will be available for the utilization of the deductible temporary differences. Valuation allowances are recognized for deferred tax assets whose realization is not expected in the foreseeable future. Deferred tax assets for tax loss carryforwards are usually subsequently measured based on future taxable income for a planning period of five fiscal years.

Deferred tax assets are offset against deferred tax liabilities if they relate to the same taxation authority and to the extent that their maturities match.

Changes in deferred taxes in the statement of financial position lead to deferred tax expense or income. If the change in deferred taxes results from items recognized directly in equity, the change in deferred taxes is also recognized directly in equity.

(l) Pensions and similar obligations

Pension obligations from defined benefit plans are calculated using the projected unit credit method. The future benefit obligations are measured on the basis of the benefits accrued pro rata by the end of the reporting period and discounted to present value. Their measurement reflects assumptions about the future development of certain parameters that affect the future level of benefits.

Provisions for pension obligations are reduced by the fair value of the plan assets held to cover the pension obligations. If plan assets exceed obligations, the excess is only recognized in other assets if it will result in a refund from the plan or a reduction of future contributions.

The service cost, which represents the benefits of active employees accumulated in accordance with the benefit plan in the fiscal year, is reported in functional expenses. Net interest income and expenses are calculated by multiplying the net asset or net liability by the discount rate and are included in interest expense.

Remeasurements of the net asset or net liability include actuarial gains and losses arising from differences between the actuarial assumptions used and the actual trends, changes in actuarial assumptions and the return on plan assets, not including amounts included in net interest income or expenses. Remeasurements are recognized net of deferred taxes in equity.

Payments for defined contribution plans are recognized in functional expenses.

(m) Other provisions

Other provisions are recognized for all identifiable risks and uncertain obligations resulting from past events that will probably lead to a future outflow of resources and whose amount can be reliably estimated. They are measured at the best estimate of the expenditure required to settle the obligation. The provision is carried at its net present value where the time value of money is material. The discount rate is based on market interest rates.

A reimbursement of third parties anticipated in connection with a provision is recognized as a separate asset if its realization is as good as certain. Provisions are regularly reviewed and adjusted as further information develops or circumstances change. If a change in an estimate results in a reduction of the obligation, the provision is reversed accordingly and the income is recognized in the corresponding functions or in other operating income.

Provisions for warranties are recognized at the time of sale of the products concerned or the performance of the relevant service. Their measurement is primarily based on historical experience. Individual provisions are also recognized for known losses. Provisions for restructuring measures are recognized when the Group has produced a detailed, formal plan of measures containing information on the division affected, the estimated number of employees and a cost estimate and the parties concerned or their representatives have been informed accordingly. Provisions for outstanding costs and other commitments are measured on the basis of services yet to be performed, usually in the amount of the production costs expected to be incurred. Provisions

(3) Accounting principles (Continued)

for anticipated losses from onerous contracts are recognized when the expected benefit resulting from the contract is less than the unavoidable costs to fulfill the contract.

(n) Business Combinations

The acquisition method was used to account for the Horstman acquisition in accordance with IFRS 3 "Business Combinations". The consideration transferred for the acquisition of a subsidiary comprises:

- the fair values of the assets transferred,
- the liabilities incurred by the former owner of the operation acquired and
- the equity interests issued by the Group.

Identifiable assets acquired and liabilities and contingent liabilities assumed as part of the business combination are initially measured at fair value at the acquisition date. Costs related to acquisitions are recognized as an expense.

The excess of the consideration transferred over the fair value of the identifiable net asset acquired was recognized as goodwill.

(o) Estimates and judgments

When preparing consolidated financial statements, to a certain extent assumptions and estimates are made that affect the amount and reporting of the recognized assets and liabilities, income and expenses and information on contingent assets and liabilities in the reporting period. The estimates were made on the basis of past experience and other relevant factors, including the assumption of going concern. All estimates and assumptions are made to the best of knowledge and belief to provide a true and fair view of the net assets, financial position and results of operations of the Group. Any uncertainty is adequately reflected in valuations, although future events can still differ from these estimates and have a material effect on the net assets, financial position and results of operations of the RENK Group. Estimates and judgments are reviewed on an ongoing basis.

The assumptions made regarding the following matters as of the end of the reporting period are of particular significance:

If intangible assets, property, plant and equipment, right-of-use assets, other equity investments and financial investments, other receivables or goodwill are tested for impairment, this requires a forecast of future cash flows for the calculation of the recoverable amount and their discounting, among other things. Such cash flows are based on forecasts that are in turn based on the business and financial planning approved by the management. Other material assumptions relate to the weighted average cost of capital and tax rates.

Estimates of the useful life of depreciable assets are based on past experience. If, in the context of the review of useful life, a change is made in estimates, the remaining useful life is adjusted and any impairment loss is recognized.

Recognizing the leases in the form of a right-of-use asset and a lease liability requires estimates on the lease term of the relevant lease components. It must be assessed whether it is reasonably certain that the contractually agreed extension, termination and call options will be exercised. The estimate for the initial recognition of the lease components determines the amount of the lease liability and thus the right-of-use asset. Changes to the estimate in subsequent periods result in a change to the residual values of statement of financial position items related to leases.

Individual performance obligations are accounted for over time using the percentage of completion method. Sales revenue is accounted for using the percentage of completion method. This method places considerable importance on accurate estimates of the percentage of completion. Depending on which method is used to determine the percentage of completion, significant estimates include contract revenue, total contract costs, the remaining costs to completion, contract risks and other assessments. The management of the operating units is continuously reviewing the estimates for such performance obligations and adjusts them as necessary.

(3) Accounting principles (Continued)

Estimates, especially for variable remuneration components, are required to calculate the transaction price as the expected consideration in exchange for the transfer of goods and services. The variability relates to the claim actually arising and to the amount of the claim. The single most likely amount in a range of possible contractual consideration amounts is selected as the most likely amount. In addition, some or all of the variable consideration component is only included in the transaction price to the extent that it is highly probable that a significant reversal of the revenue recognized will not occur. This assessment of probabilities and the restriction of variable remuneration components is based on management estimates.

Determining impairment of financial assets requires estimates of the level and probability of occurrence of future events. As far as possible, estimates are derived from past experience.

Pensions and similar obligations are measured using actuarial methods. These are mainly based on assumptions relating to discount rates, salary and pension trends and mortality. These actuarial assumptions can differ significantly from actual developments due to changes in market and economic conditions and therefore lead to a substantial change in pensions and similar obligations. The underlying assumptions are presented in the "Pensions and similar obligations" section.

As the Group operates in several countries, it is subject to different tax laws. The expected current income taxes and the deferred tax assets and liabilities must be calculated for each taxable entity. This requires, among other things, assumptions about the interpretation of complex tax regulations and the ability to generate sufficient taxable income within the respective tax type and jurisdiction. If these assumptions differ from the actual outcome of such tax uncertainties, this can affect tax expenses and deferred taxes. The best estimate of the expected tax payment is used for recognized uncertain income tax positions.

Depending on the matter at hand, the measurement of other provisions and similar obligations is complex at times and entails estimates to a considerable extent. The assumptions made by management with respect to the timing and amount of utilization are based, among other things, on historical data, available technical data, estimates of cost trends and potential warranty claims, discount rates and possible recoverable amounts. Litigation and other legal proceedings simultaneously give rise to complex legal issues and are subject to many difficulties and uncertainties. A provision is recognized for this if it is likely that, in connection with these proceedings, a liability has been incurred that will probably lead to an outflow of resources and its amount can be reliably estimated. Assessing whether a present obligation as of the end of the reporting period is as a result of a past event, whether a future outflow is likely and whether the obligation can be estimated reliably requires considerable judgment and significant estimates by management. Future events and developments as well as changes in estimates and assumptions can lead to an amended assessment at a future date. Additional expenses that can have a material effect on the net assets, financial position and results of operations of RENK thus cannot be completely ruled out. Changes in contractual or actual circumstances are monitored and assessed as regards the potential impact on the amount and reporting of the recognized assets and liabilities, income and expenses and information on contingent assets and liabilities in the reporting period. Developments in these general conditions that deviate from assumptions and are beyond management control can cause amounts to differ from the original estimates.

(4) Statement of cash flows

In the statement of cash flows, cash flows are divided into cash flows from operating activities, cash flows from investing activities and cash flows from financing activities. The effects of changes in the basis of consolidation and exchange rates are eliminated in the respective positions. The effect of exchange rate changes on cash and cash equivalents is reported separately.

Cash flows from operating activities are calculated using the indirect method. Noncash operating expenses and gains/losses from asset disposals are therefore eliminated in cash flows from operating activities.

Besides additions to property, plant and equipment, cash flows from investing activities also include deposits of an investment nature in intangible assets and other equity investments and financial investments. Cash outflows for the acquisition of the Horstman Group are also recognized here. Proceeds from these items are offset against each other.

Cash flows from financing activities consist of the following cash transactions: dividend payments, lease payments, proceeds from and payments for securities, the borrowing and repayment of financial liabilities.

(4) Statement of cash flows (Continued)

The cash and cash equivalents shown in the statement of cash flows correspond to the "Cash and cash equivalents" item in the statement of financial position. Cash and cash equivalents include bank balances, highly liquid investments of a temporary nature that are only subject to minor risks of fluctuations in value and the receivables under MAN SE's cash pooling.

(5) New and revised accounting pronouncements and methods

(a) Impact of new and revised IFRSs

RENK has implemented all accounting standards endorsed by the EU and effective for financial periods from January 1, 2019.

IFRS 16 "Leases"

The RENK Group has applied IFRS 16 since January 1, 2019.

IFRS 16 amends the provisions for accounting for leases and supersedes the previous Standard IAS 17 and its associated interpretations.

The central objective of IFRS 16 is the recognition of all leases in the statement of financial position. Accordingly, lessees will no longer distinguish between finance and operating leases. Instead, they must recognize a right-of-use asset and a lease liability for all leases in their statement of financial position. In the RENK Group, the lease liability is measured using the outstanding lease payments discounted at the incremental borrowing rate, while the right-of-use asset is measured at the amount of the lease liability. Here, the option is exercised to exclude initial direct costs at the date of initial application. During the term of the lease, the right-of-use asset must be amortized and the lease liability must be carried forward using the effective interest method and taking lease payments into account. IFRS 16 allows practical expedients used by the RENK Group for short-term and low-value leases, and therefore right-of-use assets and lease liabilities are not recognized for such leases. These lease payments continue to be recognized as expenses in the income statement. At the time of adoption, leases ending before January 1, 2020 were classified as current leases regardless of when they began.

As of January 1, 2019, the RENK Group accounted for leases using the modified retrospective transition method in accordance with IFRS 16 for the first time. The prior-year periods were not adjusted. Under this method, the lease liability must be recognized at the present value of the outstanding lease payments as of the transition date. The present value is calculated based on incremental borrowing rates as of January 1, 2019. The weighted average interest rate for this in the RENK Group was 2.1%. The leases essentially include office and warehouse space and vehicles. The normal lease term is between one and five years.

By way of simplification, the right-of-use assets are recognized at the amount of the respective lease liability adjusted for any prepaid or accrued lease payments. Right-of-use assets were not tested for impairment as of the adoption date as there was no evidence of impairment on operating leases as of December 31, 2018. The right-of-use assets shown in the statement of financial position are reported in those statement of financial position items in which the assets to which the lease relates would have been reported if the RENK Group had owned them. The right-of-use assets are therefore reported under non-current assets in property, plant and equipment as of the end of the reporting period.

The first-time recognition of right-of-use assets and lease liabilities gave rise to the following effects as of January 1, 2019:

- Right-of-use assets of € 5,182 thousand were recognized under property, plant and equipment in the opening statement of financial position.
- Lease liabilities of € 5,182 thousand were reported under current and non-current financial liabilities.
- Adoption had no effect on equity.

The difference between expected payments for operating leases of € 4,907 thousand discounted using the incremental borrowing rate as of December 31, 2018 and the lease liabilities of € 5,182 thousand recognized in the opening statement of financial position essentially results from the reassessment of lease terms in accordance with IFRS 16. Reasonably certain extension or termination options were taken into account in

(5) New and revised accounting pronouncements and methods (Continued)

determining the lease payments to be capitalized. In addition, lease payments for low-value and short-term leases are not included in lease liabilities in the opening statement of financial position.

Unlike under the previous approach, where expenses for operating leases were shown in full in operating profit, under IFRS 16 only the amortization of rights of use is shown in operating profit. Interest expenses on lease liabilities are reported in the financial result. This improved the operating profit by € 179 thousand in the 2019 fiscal year.

The change in the recognition of operating lease expenses in the statement of cash flows resulted in an improvement in cash flow from operating activities of € 1,076 thousand as of December 31, 2019. Cash flows from financing activities were increased accordingly. The increase in financial liabilities resulting from the change in accounting policies had a negative impact of € 6,345 thousand on the RENK Group's net liquidity as of December 31, 2019.

This will also lead to significantly more extensive disclosures in the notes.

(b) Other accounting standards effective for the first time

The following amendments and accounting standards effective for the first time in fiscal year 2019 have no effect on the presentation of the net assets, financial position and results of operations in the RENK consolidated financial statements:

- The International Accounting Standards Board has made changes to IFRS 9 "Financial Instruments" since January 1, 2019. Under these changes, certain financial instruments that include a repayment option with negative compensation can be measured at amortized cost or at fair value through other comprehensive income.
- Since January 1, 2019, amendments have been issued for IAS 19 "Employee Benefits" in plan amendment, curtailment or settlement. These require the current service cost and net interest for the rest of the fiscal year to be remeasured using the current actuarial assumptions. They also clarified the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The new regulation results in the following additional qualitative disclosures at the RENK Group, but does not have any impact on the net assets, financial position and results of operations.
- As of January 1, 2019, the amendment to IAS 28 "Investments in Associates and Joint Ventures" clarified that the impairment requirements under IFRS 9 "Financial Instruments" are to be applied to long-term interests in associates and joint ventures that essentially represent a net investment and that are not recognized in accordance with the equity method.
- The IFRIC 23 interpretation "Uncertainty over Income Tax Treatments" has been in force since January 1, 2019 and requires tax risks to be taken into account if tax authorities are unlikely to accept tax treatments.
- Various regulations have become effective since January 1, 2019 as part of the 2017 improvement of International Financial Reporting Standards (Annual Improvements to IFRS Standards 2015-2017 Cycle). These include amendments to IFRS 3, IAS 12, and IAS 23 and do not affect the net assets, financial position and results of operations of the RENK Group.

(5) New and revised accounting pronouncements and methods (Continued)

(c) New and revised IFRSs not adopted

RENK did not adopt the following accounting standards that have been adopted by the IASB but that are not yet effective for the fiscal year in the 2019 consolidated financial statements.

Standard/Interpretation		Published by IASB	Mandatory application[1]	Endorsed by EU	Anticipated impact
IFRS 3	Amendments to business combinations: Definition of a business	Oct. 22, 2018	Jan. 1, 2020	No	No impact
IFRS 17	Insurance contracts	May 18, 2017	Jan. 1, 2021[2]	No	No impact
IAS 1 IAS 8	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Materiality	Oct. 31, 2018	Jan. 1, 2020	Yes	No material impact
	Revisions to Conceptual Framework	March 29, 2018	Jan. 1, 2020	Yes	No material impact
IFRS 9 IAS 39 IFRS 7	Interest Rate Benchmark Reform	Sep. 26, 2019	Jan. 1, 2020	Yes	No impact
IAS 1	Change to assessment criteria for classification of liabilities as current or non-current	Jan. 23, 2020	Jan. 1, 2022	No	No impact

(1) Initial adoption mandatory for the RENK Group.

(2) The IASB recommended postponing the adoption date until January 1, 2022.

Notes to the Consolidated Income Statement

(6) Sales revenue

€ thousand	2019	2018
Germany	160,670	161,515
Other EU countries	156,058	146,682
Asia	135,630	106,845
Americas	68,199	45,387
Other European countries	30,579	33,585
Australia and Oceania	3,909	1,860
Africa	3,563	6,344
	558,609	502,218

All recognized sales revenue results from contracts with customers. The performance obligations extend to all products in the RENK Group's product range. The RENK Group typically recognizes revenue at a point in time. The Vehicle Transmissions segment includes revenue recognized over a period of time of € 18,351 thousand (previous year: € 21,420 thousand).

There were no prior-period sales revenue recognized in fiscal year 2019 due to the subsequent change in the transaction price (previous year: € 278 thousand).

RENK uses standard international trade terms (Incoterms) to demonstrate the performance of its obligations, whereby all groups are applied and allocation to a specific product group is not possible.

(6) Sales revenue (Continued)

In addition to the usual payment terms of a maximum of 90 days after performance, the terms of payment also include (pro rata) prepayments.

The unfulfilled or partially unfulfilled performance obligations under contracts with customers are included in the order backlog at a transaction price of € 820,779 thousand as of December 31, 2019. The recognition of the corresponding sales revenue is expected in the following fiscal years:

			Dec. 31, 2019
€ thousand	**2020**	**2021 to 2026**	**>2026**
Transaction price of remaining performance obligations	477,981	335,665	7,133

(7) Other operating income

€ thousand	**2019**	**2018**
Income from exchange rate changes and derivatives	4,186	1,623
Earnings from costs charged on	1,601	—
Income from reversal of provisions	1,217	2,785
Income from asset disposals	431	339
Prior-period income	405	1,838
Other income	510	833
	8,350	7,418

Please see "Other non-current and current provisions" for information on income from the reversal of provisions.

Income from exchange rate changes and derivatives includes gains from exchange rate changes between the origination and payment date of receivables and liabilities in foreign currency and realized and unrealized price gains from the measurement of derivatives at the closing rate. The resulting exchange rate losses are reported in other operating expenses.

Income from costs charged on include costs passed on for consulting services and internal costs related to preparing the disposal of the equity investment to RENK AG by the Volkswagen Group.

(8) Other operating expenses

€ thousand	**2019**	**2018**
Expenses from exchange rate changes and derivatives	5,007	2,808
Incidental costs of business combination	879	—
Expenses from costs charged on	801	—
Addition to miscellaneous other provisions	600	821
Surety and bank fees	487	596
Losses on asset disposals	383	13
Personnel expenses	79	917
Other expenses	1,575	566
	9,811	5,721

Other operating expenses comprise the expenses not allocated to functional expenses, in particular the cost of sales.

Expenses from exchange rate changes and derivatives include gains from exchange rate changes between the origination and payment date of receivables and liabilities in foreign currency and realized and unrealized price losses from the measurement of derivatives at the closing rate. The resulting exchange rate gains are reported in other operating income.

(8) Other operating expenses (Continued)

Expenses from costs charged on comprise consulting services related to preparing the disposal of the equity investment to RENK AG by the Volkswagen Group.

(9) Interest expense and other financial result

Interest expense

€ thousand	2019	2018
Interest cost on provisions and liabilities	369	147
Interest and similar expenses	459	253
Interest expense	828	400

The effect of changes in the discount rate for liabilities and other provisions resulted in an expense of € 63 thousand in fiscal year 2019 (previous year: € 44 thousand) and is included in interest expense.

The interest cost on provisions and liabilities includes interest expenses from lease liabilities in the amount of € 126 thousand, which were recognized for the first time in fiscal year 2019.

Other financial result

€ thousand	2019	2018
Income		
Income from reversals of impairment losses for equity investments	2,021	—
Income from dividends	699	1,979
Other interest and similar income	459	131
Expenses		
Expenses from measurement effects and write-downs of financial instruments	(451)	(307)
Other financial result	2,728	1,802

€ 136 thousand (previous year: € 112 thousand) of interest income results from financial transactions with MAN SE.

(10) Income tax expense

€ thousand	2019	2018
Current taxes		
Germany	15,634	20,760
Outside Germany	3,619	1,596
Deferred taxes		
Germany	(213)	(3,116)
Outside Germany	(888)	(136)
	18,152	19,105

The tax expense forecast for fiscal year 2019 results from applying the domestic tax rate of 31.96% (previous year: 32.01%) for the 2019 assessment period to the profit before tax. This tax rate takes into account German municipal trade tax of 16.14% and, as in the previous year, German corporate income tax of 15.00% and the solidarity surcharge of 5.50% of corporate income tax. The Group tax rate as of December 31, 2019 was 29.80% (previous year: 31.00%). Local tax rates for foreign companies range from 19.00% to 33.33%.

(10) Income tax expense (Continued)

Reconciliation of forecast to current income taxes:

€ thousand	2019	%	2018	%
Profit before taxes	62,323	100	61,615	100
Forecast tax expense	18,649	29.9	19,723	32.0
Difference due to changes in tax rates	17	0.0	10	0.0
Tax-exempt income	(112)	(0.2)	(118)	(0.2)
Non-deductible expenses	136	0.2	181	0.3
Taxes for previous years and other	(537)	(0.9)	(691)	(1.1)
Current tax expense	18,152	29.1	19,105	31.0

The current tax expense includes a prior-period income tax expense of € 25 thousand (previous year: € 237 thousand).

Deferred taxes are attributable to the following items:

€ thousand	Dec. 31, 2019	Dec. 31, 2018
Deferred tax assets		
Intangible assets	54	19
Property, plant and equipment	214	5
Other equity investments and financial investments	—	—
Inventories	10,050	11,096
Receivables and other assets	62	559
Pensions and similar obligations	17,474	14,400
Liabilities and other provisions	10,744	7,344
Loss carryforwards	63	—
Impairment losses on deferred tax assets	—	—
Gross amount	38,660	33,422
of which non-current	21,196	14,424
Offset	(30,055)	(27,782)
Consolidation	1,001	655
Carrying amount in statement of financial position	9,606	6,295

€ thousand	Dec. 31, 2019	Dec. 31, 2018
Deferred tax liabilities		
Intangible assets	6,323	—
Property, plant and equipment	16,100	12,456
Other equity investments and financial investments	35	35
Inventories	105	81
Receivables and other assets	10,114	6,724
Pensions and similar obligations	—	—
Liabilities and other provisions	6,539	8,232
Gross amount	39,216	27,529
of which non-current	23,627	12,491
Offset	(30,009)	(27,513)
Consolidation	22	(16)
Carrying amount in statement of financial position	9,229	—

(10) Income tax expense (Continued)

In connection with investments in subsidiaries there are temporary differences for which deferred taxes are recognized in the amount of € 404 thousand (previous year: € 290 thousand).

(11) Earnings per share

	2019	2018
Profit after tax in € thousand	44,171	42,510
Weighted average shares outstanding (in thousands)	6,800	6,800
Earnings per share in €	6.50	6.25

In accordance with IAS 33, earnings per share are calculated from the consolidated profit after tax and the average number of shares outstanding in the year. There were no instruments as of either December 31, 2019 or December 31, 2018 that would dilute earnings per share.

(12) Other income statement disclosures

The cost of sales includes research and development costs of € 13,711 thousand (previous year: € 13,069 thousand).

Staff costs break down as follows:

€ thousand	2019	2018
Wages and salaries	165,809	155,865
Social security and post-employment expenses	39,755	32,609
	205,564	188,474

RENK employed 2,327 people (previous year: 2,159) on average over the year. Of these, 1,297 (previous year: 1,216) worked directly and 1,029 (previous year: 943) indirectly in production. There were 38 employees in the non-active phase of early retirement (previous year: 45). On average, 106 people (previous year: 105) were in vocational training.

Lease expenses amount to:

€ thousand	2019	2018
Rental and lease expenses	1,510	2,448
	1,510	2,448

Short-term leases of € 1,344 thousand and low-value leases of € 166 thousand were recognized directly as an expense in the reporting period as part of the exemption for capitalizing leases. Low-value leases comprise exclusively long-term contracts.

In the previous year, payments from all rental and lease expenses were recognized as an expense. For information on changes to accounting and presentation, please see "New and revised accounting pronouncements and methods".

(13) Total remuneration for work by the auditor

In the year under review, the Supervisory Board proposed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, (PwC) as the auditor; the Annual General Meeting endorsed this proposal on May 7, 2019.

(13) Total remuneration for work by the auditor (Continued)

The table below shows the fees charged for the work of the auditor PwC and the companies of the international PwC network in fiscal year 2019 and 2018:

€ thousand	2019	2018
Audit of the financial statements	329	224
Other assurance services	12	27
Tax advisory services	3	2
Other services	810	—
Auditor remuneration	1,154	253

The fees charged for work by the German auditor PwC and its affiliated German companies in fiscal year 2019 totaled € 1,068 thousand (previous year: € 223 thousand). € 246 thousand (previous year: € 196 thousand) of this related to the audit of the financial statements, € 12 thousand (previous year: € 27 thousand) to other assurance services and € 810 thousand to other services.

Audit services comprise the audit of the consolidated and single-entity financial statements of RENK AG and its subsidiaries. Fees for other services were essentially incurred for due-diligence services in connection with the transaction stated in the section on events after the reporting period. They were charged on to Volkswagen AG. They also include fees for due-diligence services in connection with the acquisition of shares in Horstman Holdings Ltd., Bath.

Notes to the Consolidated Statement of Financial Position

(14) Business combination

On April 16, 2019, RENK AG acquired all shares in the Horstman Group at a converted purchase price of € 44.4 million, representing a net investment volume of € 37.7 million.

At the time of the acquisition, the Horstman Group comprised the following companies:

- Horstman Holdings Limited, Bath, UK,
- Horstman Defence Systems Limited, Bath, UK
- Horstman Inc., Sterling Heights (MI), USA,
- Horstman Systems Inc., Woodbridge, Canada.

Due to the ongoing loss situation, the investment in Horstman Systems Inc., Woodbridge, Canada, was measured at a cost of zero as part of the purchase price allocation. Horstman Systems Inc., Woodbridge, Canada, is not included in the basis of consolidation as it is insignificant to the RENK Group's net assets, financial position and results of operations.

(14) Business combination (Continued)

At the time of acquisition, the fair values of the assets acquired and debts assumed of the Horstman Group were as follows:

€ thousand	Apr. 16, 2019
Intangible assets – brand	5,272
Intangible assets – customer relationships	15,291
Intangible assets – technology	13,079
Other intangible assets	1,043
Property, plant and equipment	13,860
Inventories	8,898
Trade receivables	4,948
Other receivables	2,900
Cash and cash equivalents	6,703
Financial liabilities	(9,050)
Deferred tax liabilities	(7,589)
Trade payables	(6,524)
Other liabilities	(9,835)
Other provisions	(340)
Total identifiable net assets	38,658
plus goodwill	5,702
Net assets acquired	44,360

The goodwill resulting from the purchase price allocation reflects staff expertise, expectations of future synergies and future sales potential within the Vehicle Transmissions business. This goodwill is not deductible for tax purposes. Trade receivables of € 4,948 thousand reflect gross amounts. These were considered to be recoverable in full at the time of acquisition.

RENK AG's sales revenue included € 36,181 thousand for the Horstman Group that has been incurred since the acquisition. The additional contribution to earnings totals € 4,075 thousand. If the transaction had been made on January 1, 2019, estimates indicate that additional sales revenue of € 13,026 thousand and additional earnings of € 1,191 thousand would have been taken into account.

The Horstman Group was included in RENK AG's consolidated financial statements at its final figures in accordance with IFRS and purchase price allocation.

The Group incurred costs of € 879 thousand for legal and due diligence services in connection with the business combination as of December 31, 2019. These costs are recognized in full in Other operating expenses.

Goodwill was as follows:

€ thousand	2019
Carrying amount of goodwill on Jan. 1	—
Addition from acquisition of Horstman Group[(1)]	5,702
Total currency translation difference	94
Carrying amount of goodwill on Dec. 31	5,796

(1) Translation of goodwill of GBP 4,692 thousand at the exchange rate as of April 16, 2019.

No company acquisition in accordance with IFRS 3 was to be recognized as of December 31, 2018.

(15) Intangible assets

€ thousand	Licenses, software and similar rights	Goodwill	Other intangible assets	Total
Gross carrying amount on Jan. 1, 2018	14,550	—	5,435	19,985
Cumulative depreciation/amortization and impairment losses	(12,893)	—	(5,435)	(18,328)
As of Jan. 1, 2018	1,657	—	—	1,657
Additions	618	—	—	618
Reclassifications	9	—	—	9
Disposals	(7)	—	—	(7)
Depreciation/amortization	(964)	—	—	(964)
Addition to basis of consolidation	1,052	—	—	1,052
Currency adjustment	19	—	—	19
As of Dec. 31, 2018	2,384	—	—	2,384
Gross carrying amount on Dec. 31, 2018	16,427	—	5,642	22,069
Cumulative depreciation/amortization and impairment losses	(14,043)	—	(5,642)	(19,685)
As of Jan. 1, 2019	2,384	—	—	2,384
Additions	764	—	—	764
Reclassifications	303	—	—	303
Disposals	(1,569)	—	—	(1,569)
Depreciation/amortization	(1,392)	—	(783)	(2,175)
Cumulative depreciation/amortization on disposals	1,569	—	—	1,569
Addition to basis of consolidation[(1)]	6,315	5,757	28,573	40,645
Currency adjustment	70	39	257	366
As of Dec. 31, 2019	8,444	5,796	28,047	42,287
Gross carrying amount on Dec. 31, 2019	22,506	5,796	34,690	62,992
Cumulative depreciation/amortization and impairment losses	(14,062)	—	(6,643)	(20,705)

(1) Translation at closing rate

Amortization of intangible assets is included in the functional expenses, in the cost of sales in particular.

The acquired brand, customer relationships, technology and goodwill from the initial consolidation of the Horstman Group were recognized under "Addition to basis of consolidation" in fiscal year 2019. In the previous year, addition to the basis of consolidation related to intangible assets from the merger of MAAG Gear Systems AG, Wallisellen, Switzerland, with RENK-MAAG GmbH, Winterthur, Switzerland.

(16) Property, plant and equipment

€ thousand	Land and buildings	Right-of-use assets on land and buildings[1]	Technical equipment and machinery	Other equipment, operating and office equipment	Right-of-use assets on other equipment, operating and office equipment[1]	Prepayments and assets under construction	Total
Gross carrying amount on Jan. 1, 2018	112,339	—	223,665	43,130	—	11,479	390,613
Cumulative depreciation/amortization and impairment losses	(44,081)	—	(122,360)	(27,486)	—	—	(193,927)
As of Jan. 1, 2018	68,258	—	101,305	15,643	—	11,479	196,686
Additions	952	—	4,597	4,762	—	24,432	34,743
Reclassifications	86	—	4,902	139	—	(5,135)	(9)
Disposals	—	—	(3,747)	(3,222)	—	—	(6,969)
Depreciation/ amortization	(2,622)	—	(11,508)	(3,919)	—	—	(18,048)
Cumulative depreciation/amortization on disposals	—	—	2,695	722	—	—	3,417
Currency adjustment	104	—	94	16	—	7	221
As of Dec. 31, 2018	66,779	—	98,337	14,142	—	30,783	210,041
Gross carrying amount on Dec. 31, 2018	113,537	—	229,929	44,862	—	30,783	419,111
Cumulative depreciation/ amortization and impairment losses	(46,758)	—	(131,593)	(30,720)	—	—	(209,071)
As of Jan. 1, 2019[2]	66,779	5,070	98,337	14,142	111	30,783	215,223
Additions	4,930	823	9,618	4,672	380	13,347	33,770
Reclassifications	10,008	—	10,205	(24)	—	(20,492)	(303)
Disposals	(60)	—	(8,252)	(4,359)	—	(234)	(12,905)
Depreciation/ amortization	(2,972)	(943)	(12,657)	(4,465)	(186)	—	(21,223)
Cumulative depreciation/ amortization on disposals	47	—	8,260	4,110	—	—	12,417
Addition to basis of consolidation[3]	362	905	11,854	1,208	—	—	14,329
Currency adjustment	113	150	112	13	—	8	395
As of Dec. 31, 2019	79,207	6,005	117,477	15,297	305	23,412	241,703
Gross carrying amount on Dec. 31, 2019	128,917	6,965	253,903	46,408	491	23,412	460,096
Cumulative depreciation/amortization and impairment losses	(49,710)	(960)	(136,426)	(31,111)	(186)	—	(218,393)

(1) New asset class under IFRS 16. Please see "New and revised accounting pronouncements and methods".

(2) As of Jan. 1, 2019 after change in accounting due to IFRS 16. Please see "New and revised accounting pronouncements and methods".

(3) Translation at closing rate

Depreciation on property, plant and equipment is included in the functional expenses, in the cost of sales in particular.

Property, plant and equipment from the acquisition of the Horstman Group were recognized under Addition to basis of consolidation. Please see "Business combination".

The leases recognized for the first time as right-of-use assets comprise buildings, warehouse space and vehicle leases. Total cash outflows for the right-of-use assets came to € 2,345 thousand in the current fiscal year.

(17) Other equity investments and financial investments

The subsidiary RENK Holding Canada Inc., Toronto, Canada, which was founded in fiscal year 2019 and is not consolidated, was recognized at a cost of € 2,067 thousand. RENK Holding Canada Inc. holds exclusively the shares in the financial investment Modest Tree Media Inc. in Canada.

Testing for impairment of the carrying amounts of investments in RENK Transmisyon Sanayi A.S., Istanbul, Turkey, and RENK Shanghai Service and Commercial Co., Ltd., Shanghai, China, as of December 31, 2019 resulted in a reversal of the write-down through profit or loss from € 174 thousand and € 1,847 thousand to the original cost of the acquisition.

(18) Inventories

€ thousand	Dec. 31, 2019	Dec. 31, 2018
Raw materials, consumables and supplies	41,105	27,414
Finished goods and work in progress	186,724	166,894
Prepayments for inventories	2,603	2,269
	230,432	196,578

Consumption of inventories of € 343 million (previous year: € 313 million) was recognized in the cost of sales in the reporting period.

Reversals of impairment losses on inventories of € 959 thousand were recognized in fiscal year 2019 (previous year: write-downs of € 1,550 thousand).

(19) Trade receivables

€ thousand	Dec. 31, 2019	Dec. 31, 2018
Customer receivables	126,789	96,516
Receivables from affiliated companies	8,408	8,337
	135,197	104,854

In line with the operating cycle, all trade receivables are reported as current.

(20) Contract assets

€ thousand	Dec. 31, 2019	Dec. 31, 2018
Contract assets from customers	4,308	5,591
Contract assets from associates	—	127
	4,308	5,718

Contract assets developed as follows:

€ thousand	2019	2018
As of Jan. 1	5,718	7,496
Additions and disposals	(1,453)	(1,816)
Changes in valuation allowances	27	16
Currency changes	16	22
As of Dec. 31	4,308	5,718

(21) Loss allowances

The allowances for expected credit losses on trade receivables and contract assets under contracts with customers developed as follows:

€ thousand	2019	2018
As of Jan. 1	1,791	1,359
Addition	713	495
Addition to basis of consolidation	78	—
Utilization	(92)	(26)
Reversal	(104)	(50)
Currency translation differences	21	13
As of Dec. 31	2,407	1,791

The following changes in the gross carrying amounts of trade receivables and contract assets affected the amount of the loss allowances recognized:

€ thousand	2019	2018
As of Jan. 1	112,363	88,819
Additions and disposals	17,953	23,192
Addition to basis of consolidation	11,106	—
Currency translation differences	490	352
As of Dec. 31	141,912	112,363

(22) Other non-current and current assets and receivables

€ thousand	Dec. 31, 2019	Dec. 31, 2018
Customer prepayment receivables	20,967	15,448
Prepaid expenses	2,391	2,029
Commission claims	2,025	1,890
Receivables from costs charged on	1,632	—
Receivables from suppliers	935	124
Other tax assets	931	2,413
Refund claims	513	—
Derivative financial instruments	106	3
Miscellaneous other assets	1,514	350
	31,014	22,257

Receivables from costs charged on comprise the costs passed on to Volkswagen AG for consulting services and internal costs related to preparing the disposal of the equity investment to RENK AG by the Volkswagen Group.

Other assets break down as follows according to maturity:

€ thousand	Dec. 31, 2019	Dec. 31, 2018
Other non-current assets and receivables	889	6
Other current assets and receivables	30,125	22,251
	31,014	22,257

Derivative financial instruments are carried at fair value. They are used to hedge currency risks on customer orders and other foreign exchange positions.

(23) Cash and cash equivalents

€ thousand	Dec. 31, 2019	Dec. 31, 2018
Bank balances, checks, cash in hand	3,809	243
Receivables from financial transactions with MAN SE	98,667	185,457
	102,476	185,700

Receivables from financial transactions with MAN SE essentially result from the central cash pooling of the MAN Group. These investments are of a temporary nature and are only subject to insignificant risks of fluctuations in value.

(24) Equity

The share capital of RENK AG of € 17,920,000 is divided into 7 million no-par value shares with equal rights. All shares are fully paid up. Volkswagen Vermögensverwaltungs-GmbH (formerly: Volkswagen Klassik GmbH), Wolfsburg, held 76% of the subscribed capital of RENK AG in the year under review.

A total of 199,903 treasury shares or 2.86% of the share capital (share of capital: € 512 thousand) were held by the company on December 31, 2019. The difference between the accounting par value and the cost of the acquisition of the treasury shares in the amount of € 3,501 thousand is offset in retained earnings. The capital reserves relate exclusively to share premiums in the context of capital increases by RENK AG. The accumulated other comprehensive income predominantly results from the fair value measurement of provisions for pension obligations.

In accordance with the provisions of the German Stock Corporation Act, the net retained profits of the Group parent RENK AG are available for distributions. The net retained profits of RENK AG amount to € 33,698 thousand as of December 31, 2019. The Executive Board and the Supervisory Board will propose to the Annual General Meeting the distribution of a dividend for fiscal 2019 unchanged as against the previous year of € 2.20 per share. With 7,000,000 no-par value shares less the treasury shares without dividend rights in accordance with section 71b of the Aktiengesetz (AktG—German Stock Corporation Act) (199,903 shares), this corresponds to an amount of € 14,960,213.40. Shareholders' entitlement to the dividend arises only with the resolution by the Annual General Meeting.

The most important goals of capital management at RENK are sustainably increasing enterprise value and safeguarding the liquidity and creditworthiness of the Group. Factors contributing to this are the reduction of the cost of capital, the optimization of the capital structure and effective risk management.

RENK AG is not subject to any capital requirements on the basis of its Articles of Association.

(25) Pensions and similar obligations

The RENK Group grants its employees retirement benefits in accordance with the country-specific circumstances in the form of defined benefit or defined contribution pension plans.

In defined contribution plans, contributions are paid to state or private pension funds on the basis of legal or contractual regulations. There are no further payment obligations other than the payment of contributions.

Current contributions are recognized as an expense in the respective year; in 2019 they amounted to a total of € 12,670 thousand (previous year: € 11,666 thousand) in the RENK Group.

The following amounts were recognized in the statement of financial position for defined benefit pension plans:

€ thousand	2019	2018
Present value of externally financed obligations	181,040	164,939
Plan assets at fair value	(167,342)	(149,346)
Funding status on December 31	13,698	15,593
Present value of unfunded obligations	514	428
Carrying amount on December 31	14,211	16,021
of which provisions for pension obligations	14,233	16,023
of which other receivables from surplus IAS 19.64	21	2

(25) Pensions and similar obligations (Continued)

(a) Pension plans in Germany

As one of the essential elements of its remuneration policy, the RENK Group provides its domestic employees with benefits under a modern and attractive occupational pension system for the time after their active working life. This provides reliable additional income on retirement and risk protection for disability and death.

Under the current pension plans, the active employees receive employer contributions linked to their remuneration and, in addition, also have the option of personal provision through deferred compensation (paid for by the employer for employees subject to collective bargaining agreements). When actively working, employees accrue pension capital from employer- and employee-financed contributions and returns from investment on the capital market. On retirement this pension capital is paid out as a lump sum or in installments, or in certain cases can be converted into an annuity. Employees' investment risks are gradually reduced with increasing age (lifecycle concept). The performance of the pension capital is derived from the return on the investments. As required by law, at least the total contributions paid for the employee will be paid out on retirement.

Former employees, including pensioners and employees who have left the plan with vested benefits, have pension commitments from closed pension funds, which are predominantly geared towards providing lifetime annuity payments. These commitments entail the usual longevity and inflation risks, which are regularly monitored and evaluated.

The domestic pension assets of the RENK Group are managed by the MAN Pension Trust e.V. and MAN Pensionsfonds AG. These assets are irrevocably unavailable to the RENK companies and must be used exclusively to fund current pension payments or for employee claims in the event of insolvency. The proper management and use of trust assets is monitored by independent trustees. MAN Pensionsfonds AG is also subject to the supervision of the German Federal Financial Supervisory Authority (BaFin).

The pension assets are invested by professional investment managers according to investment guidelines set by an Investment Committee. The strategic allocation of plan assets is based on asset liability management studies conducted at regular intervals.

(b) Pension plans outside Germany

In Switzerland, the defined benefit pension claims and the actuarial reserves are managed in industry-wide company pension institutions. Employees accrue pension capital with these institutions, which is then converted into a lifelong pension under the conditions prevailing at the time. The pension institutions are managed conservatively based on government regulations. If the claims are no longer covered by capital due to negative market developments, restructuring contributions can be levied from the affiliated employers and their employees.

Obligatory post-employment benefits are paid in France.

(c) Funding status

The calculation of the present value of defined benefit pension obligations is based on the following assumptions:

	Germany		Outside Germany[(1)]	
in %	**2019**	**2018**	**2019**	**2018**
Discount rate as of Dec. 31	0.90	1.70	0.31	0.76
Salary trend	3.70	3.50	1.02	1.02
Pension trend	1.50	1.50	—	—
Fluctuation rate	4.34	4.37	8.07	8.23

(1) Weighted average rates

(25) Pensions and similar obligations (Continued)

The biometric data are based on current mortality tables for each specific country. For Germany, the Heubeck 2005 G mortality tables were adjusted in line with empirical data specific to MAN and therefore better reflect mortality than the current RT2018G mortality tables. The BVG 2015 GT mortality tables were used for Switzerland.

Discount rates are based on the yields on corporate bonds with high credit ratings, with a maturity and currency matching the respective obligations. Pension and pay trends either correspond to contractual adjustments or are based on those found in the general regulations applicable. Pay trends comprise expected wage and salary increases that also take into account increases resulting from career development.

The present value of defined benefit obligations developed as follows:

€ thousand	2019	2018
Defined benefit obligation on January 1	165,367	157,740
Current service cost	5,293	5,030
Interest expense	2,404	2,245
Actuarial gains (−)/losses (+) due to changes in demographic assumptions	(1,379)	(369)
Actuarial gains (−)/losses (+) due to changes in financial assumptions	12,692	(1,277)
Actuarial gains (−)/losses (+) due to experience adjustments	2,150	(936)
Employee contributions to funds	1,537	1,342
Pension payments from company assets	(2,274)	(1,409)
Pension payments from fund	(3,722)	(3,798)
Other changes	(1,922)	5,509
Currency differences from plans abroad	1,407	1,290
Defined benefit obligation on December 31	181,553	165,367

The other cash flow resulting from a partial liquidation balance sheet of the Swiss pension institution is reported under "Other changes".

Changes in the main actuarial assumptions would have had the following effects on defined benefit obligations:

		Dec. 31, 2019		Dec. 31, 2018	
Defined benefit obligation		€ thousand	%	€ thousand	%
Discount rate	+0.5% points	172,486	(5.3)	157,225	(5.2)
	(0.5)% points	191,790	5.3	174,526	5.3
Salary trend	+0.5% points	(181,909)	0.2	165,740	0.2
	(0.5)% points	(181,221)	(0.2)	165,047	(0.2)
Pension trend	+0.5% points	187,694	3.3	172,369	4.1
	(0.5)% points	177,449	(2.3)	158,965	(4.0)
Longevity	+1 year	186,520	2.7	168,618	1.9

The sensitivity analyses shown each take into account the change in one assumption with the other assumptions unchanged from the original calculation, i.e. possible correlation effects between the individual assumptions are not taken into account.

To analyze the sensitivity of the defined benefit obligation to a change in the assumed life expectancy, the age of beneficiaries was decreased by one year as part of a comparative calculation.

As in the previous year, the weighted average term to maturity (Macaulay duration) of the defined benefit pension obligations is eleven years.

The defined benefit obligation is divided among the members of the plan as follows:

(25) Pensions and similar obligations (Continued)

€ thousand	2019	2018
Active members	104,089	91,961
Former members	7,729	7,162
Beneficiaries	69,735	66,244
Defined benefit obligation	181,553	165,367

The maturity profile of the payments for the defined benefit obligation is shown below by breaking down the present value of the obligation by the maturity of the underlying payments:

€ thousand	2019	2018
Payment due		
Within one year	5,997	6,813
Between one and five years	33,273	27,617
More than five years	142,284	130,937
Defined benefit obligation	181,553	165,367

The development of plan assets is shown by the table below:

€ thousand	2019	2018
Plan assets on January 1	149,346	147,266
Interest income from plan assets—in amount of interest rate	2,217	2,143
Return on plan assets not recognized in interest income	15,484	(4,714)
Employer contributions to funds	3,905	1,064
Employee contributions to funds	693	637
Pension payments from fund	(3,722)	(3,798)
Other changes	(1,916)	5,509
Currency differences from plans abroad	1,335	1,239
Plan assets on December 31	167,342	149,346

The investment of plan assets resulted in income of € 17,701 thousand (previous year: losses of € 2,571 thousand), € 14,442 thousand (previous year: losses of € 2,013 thousand) of which related to Germany and € 3,258 thousand (previous year: losses of € 558 thousand) of which to other countries.

The other cash flow resulting from a partial liquidation balance sheet of the Swiss pension institution is reported under "Other changes".

In the next fiscal year employer contributions to plan assets are expected to amount to € 4,596 thousand (amount stated in previous year: € 4,374 thousand).

(25) Pensions and similar obligations (Continued)

The plan assets are invested in the following categories:

€ thousand	Dec. 31, 2019 Quoted price on an active market	Dec. 31, 2019 No quoted price on an active market	Dec. 31, 2019 Total	Dec. 31, 2018 Quoted price on an active market	Dec. 31, 2018 No quoted price on an active market	Dec. 31, 2018 Total
Cash and cash equivalents	6,857	—	6,857	6,650	—	6,650
Equity instruments	8,009	—	8,009	7,641	—	7,641
Debt instruments	12,164	—	12,164	12,307	—	12,307
Direct investments in real estate	—	10,307	10,307	—	8,598	8,598
Equity funds	33,744	—	33,744	27,045	—	27,045
Pension funds	41,565	—	41,565	41,349	—	41,349
Real estate funds	6,641	—	6,641	5,685	—	5,685
Other funds	—	7,724	7,724	—	1,332	1,332
Other	4,523	35,809	40,332	4,006	34,732	38,738
Plan assets at fair value	113,501	53,841	167,342	104,683	44,663	149,346

The plan assets are 27% (previous year: 30%) invested in domestic assets, 50% (previous year: 50%) in other European assets and 23% (previous year: 20%) in assets from other regions.

(d) Expenses for pension obligations

The following amounts were recognized in the income statement:

€ thousand	2019	2018
Current service cost	5,293	5,030
Net interest expense (+)/income (−)	187	103
	5,480	5,133

(26) Other non-current and current provisions

€ thousand	Warranties	Outstanding costs	Obligations to employees	Miscellaneous other provisions	Total
As of Jan. 1, 2019	28,545	6,141	9,683	7,708	52,077
Utilization	(1,784)	(1,987)	(2,300)	(1,845)	(7,916)
Addition	11,118	2,119	2,562	2,344	18,143
Addition to basis of consolidation	116	—	—	49	165
Reversal	(4,687)	(1,442)	(84)	(1,265)	(7,478)
Interest cost	—	—	63	—	63
Currency translation differences	40	—	6	117	163
As of Dec. 31, 2019	33,348	4,831	9,930	7,108	55,217

(1) Including currency translation differences

(26) Other non-current and current provisions (Continued)

Other provisions break down according to maturity as follows:

€ thousand	Dec. 31, 2019 Non-current	Dec. 31, 2019 Current	Dec. 31, 2018 Non-current	Dec. 31, 2018 Current
Warranties	4,244	29,104	2,652	25,893
Outstanding costs	—	4,831	—	6,141
Obligations to employees	6,097	3,833	5,015	4,668
Miscellaneous other provisions	921	6,186	888	6,820
	11,262	43,954	8,555	43,522

Provisions for warranties relate to legal and contractual warranty obligations and to goodwill towards customers. The timing of the utilization of provisions for warranties is dependent on the occurrence of the warranty claim and can extend over the entire warranty and goodwill period. Arbitration proceedings initiated by a customer in the Special Gear Units business were a major factor in the additions to this provision. Provisions for outstanding costs comprise risks from customer contracts recognized using the PoC method and outstanding services for invoiced customer contracts.

Non-current obligations to employees relate in particular to partial retirement and anniversaries. Current obligations to employees primarily relate to planned expenditure for staff restructuring measures in the Standard Gear Units segment.

Miscellaneous other provisions essentially relate to provisions for anticipated losses from onerous contracts and penalties.

(27) Financial liabilities

€ thousand	Dec. 31, 2019
Lease liabilities	6,345
of which long-term	5,061
of which short-term	1,284
Loan liabilities long-term	120
Financial liabilities	6,465

For information on lease liabilities, please see “New and revised accounting pronouncements and methods”.

(28) Trade payables

€ thousand	Dec. 31, 2019	Dec. 31, 2018
Trade payables	41,235	39,407

There are trade payables to affiliated companies of € 1,068 thousand (previous year: € 1,782 thousand).

(29) Contract liabilities

€ thousand	Dec. 31, 2019	Dec. 31, 2018
Contract liabilities, non-current	73,450	81,993
Contract liabilities, current	74,950	66,163
Liabilities from customer prepayment receivables	19,864	14,229
Contract liabilities	168,264	162,385

Contract liabilities to affiliated companies amounted to € 2,355 thousand (previous year: € 1,949 thousand). The contract liabilities of € 80,392 thousand reported as of December 31, 2018 were recognized as sales revenue in fiscal year 2019.

(29) Contract liabilities (Continued)

Contract liabilities developed as follows in fiscal years 2019 and 2018:

€ thousand	2019	2018
As of Jan. 1	162,385	150,894
Additions and disposals	(803)	11,303
Addition to basis of consolidation	6,608	—
Currency changes	74	188
As of Dec. 31	168,264	162,385

(30) Other non-current and current liabilities

€ thousand	Dec. 31, 2019	Dec. 31, 2018
Employee-related liabilities	27,152	27,809
Derivative financial instruments	1,860	1,320
Social security liabilities	1,225	1,107
Liabilities from other taxes	830	259
Deferred income	28	33
Miscellaneous other liabilities	1,507	948
	32,602	31,476

Employee-related liabilities mainly include wages and salaries not yet paid at the end of the reporting period, deferred vacation not yet taken and annual bonuses.

Other liabilities break down as follows according to maturity:

€ thousand	Dec. 31, 2019	Dec. 31, 2018
Other non-current liabilities	1,063	171
Other current liabilities	31,539	31,305
	32,602	31,476

Other Disclosures

(31) Contingent liabilities

€ thousand	Dec. 31, 2019	Dec. 31, 2018
Repayment obligations	27	—
	27	—

RENK AG has issued MAN SE a payment guarantee for the liabilities of RENK subsidiaries from their business relationship with MAN SE that is unlikely to be utilized in light of the comfortable liquidity position.

Contingent liabilities are usually measured in the amount of the maximum claims on RENK. Any rights of recourse are not deducted.

(32) Other financial obligations

Other financial obligations in the current fiscal year comprise current rental agreements and leases that are not capitalized on account of the exemption under IFSR 16. These primarily relate to renting work clothes and office printers. Other financial obligations in fiscal year 2018 comprised all rental agreements and leases, such as building rentals and vehicle leases.

For information on the change to presentation, please see “New and revised accounting pronouncements and methods”.

(32) Other financial obligations (Continued)

The maturities of future rental and lease payments until the end of their minimum term are as follows:

€ thousand	Dec. 31, 2019	Dec. 31, 2018
Due within one year	363	1,084
Due between one and five years	323	3,228
Due after more than five years	—	1,053
	686	5,365

The capitalized leases create potential future payments of € 3,861 thousand resulting from extension options not yet taken into account.

The purchase commitment for the acquisition of intangible assets and property, plant and equipment was € 11,675 thousand as of the end of the reporting period (previous year: € 11,742 thousand). The commitment value for the acquisition of inventories and services was € 116,325 thousand (previous year: € 115,911 thousand). The financial obligations to third parties under investment projects initiated were within normal limits.

(33) Additional information on financial instruments

This section contains additional information on the significance of financial instruments and on individual items of the statement of financial position and the income statement that relate to financial instruments.

The following table shows the reconciliation of statement of financial position items to the classes of financial instruments as of December 31, 2019, broken down by carrying amounts and fair values of financial instruments, and the allocation of statement of financial position items to the measurement categories.

	At fair value						
	In other comprehensive income(1)	In profit or loss(2)	At amortized cost(3)		Hedging derivative financial instruments	Not assigned to an IFRS 9 measurement category	Statement of financial position item as of Dec. 31, 2019
€ thousand	Carrying amount	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Non-current assets							
Other and financial investments	2,975	—	—	—	—	12,395	15,370
Other financial assets	—	5	855	855	—	—	860
Current assets							
Trade receivables	—	—	135,197	135,197	—	—	135,197
Contract assets	—	—	—	—	—	4,308	4,308
Other financial assets	—	—	22,997	22,997	—	—	22,997
Cash and cash equivalents	—	—	102,476	102,476	—	—	102,476
Non-current liabilities							
Non-current financial liabilities	—	—	5,181	5,181	—	—	5,181
Other financial liabilities	—	1,038	—	—	—	—	1,038
Current liabilities							
Current financial liabilities	—	—	1,284	1,284	—	—	1,284
Trade payables	—	—	41,235	41,235	—	—	41,235
Other financial liabilities	—	830	1,277	1,277	—	—	2,106

(33) Additional information on financial instruments (Continued)

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(1) Corresponds to the measurement category "Financial assets measured at fair value through other comprehensive income" under IFRS 9.

(2) Corresponds to the measurement category "Financial instruments measured at fair value through profit or loss" under IFRS 9.

(3) Corresponds to the measurement category "Financial instruments measured at amortized cost" under IFRS 9.

The following table shows the carrying amounts, the measurement categories by class, the fair values and the fair value hierarchy under IFRS 9 as of December 31, 2018:

	At fair value						
	In other comprehensive income(1)	In profit or loss(2)	At amortized cost(3)		Hedging derivative financial instruments	Not assigned to an IFRS 9 measurement category	Statement of financial position item as of Dec. 31, 2018
€ thousand	Carrying amount	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Non-current assets . .							
Other and financial investments	2,975	—	—	—	—	8,307	11,282
Other financial assets	—	3	—	—	—	—	3
Current assets							
Trade receivables . . .	—	—	104,854	104,854	—	—	104,854
Contract assets	—	—	—	—	—	5,718	5,718
Other financial assets	—	—	15,800	15,800	—	—	15,800
Cash and cash equivalents	—	—	185,700	185,700	—	—	185,700
Non-current liabilities							
Other financial liabilities	—	120	—	—	—	—	120
Current liabilities . .							
Trade payables	—	—	39,407	39,407	—	—	39,407
Other financial liabilities	—	1,200	929	929	—	—	2,129

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(1) Corresponds to the measurement category "Financial assets measured at fair value through other comprehensive income" under IFRS 9.

(2) Corresponds to the measurement category "Financial instruments measured at fair value through profit or loss" under IFRS 9.

(3) Corresponds to the measurement category "Financial instruments measured at amortized cost" under IFRS 9.

The cumulative carrying amounts of financial instruments as of December 31, 2019, broken down by IFRS 9 measurement category, are as follows:

€ thousand	Dec. 31, 2019		Dec. 31, 2018	
Measurement category in accordance with IFRS 9	Assets	Equity and liabilities	Assets	Equity and liabilities
Financial assets at fair value through other comprehensive income	2,975	—	2,975	—
Financial instruments at fair value through profit or loss	5	1,867	3	1,320
Financial instruments at amortized cost	261,525	47,693	306,353	40,336

(33) Additional information on financial instruments (Continued)

The fair values were calculated based on the market conditions at the end of the reporting period and the measurement methods described below. They are the prices at which one party would assume the rights or obligations from these financial instruments from an independent third party. There were no significant changes since the previous year in the measurement methods applied.

Cash and cash equivalents, trade receivables, other financial assets, financial liabilities, trade payables and miscellaneous financial liabilities predominantly have a short remaining term. Their carrying amounts as of the end of the reporting period therefore approximately match their fair value.

Financial assets at fair value through other comprehensive income include unchanged equity shares of € 2,975 thousand (previous year: € 2,975 thousand) for which the RENK Group exercises the option for measurement at fair value through other comprehensive income.

There were no changes recognized in other comprehensive income in the reporting period (previous year: € 552 thousand). In particular, the respective corporate planning and the company-specific discount rates are used to measure the equity instruments at fair value (level 3). Of the inputs used to calculate the fair value of the equity investments, only the cost of capital before taxes has changed compared to December 31, 2018. This was 7.1% as of December 31, 2019 (December 31, 2018: 7.7%). A change in the significant, unobservable inputs has no significant effect on equity or profit after tax, either in isolation or combination.

Total dividends of € 699 thousand were received in the reporting period (previous year: € 1,979 thousand).

The future cash flows for derivative financial instruments without option components, particularly currency forwards, are calculated using forward curves. The fair value of these instruments is the total of the discounted cash flows. The options on currency pairs are measured on the basis of standard option pricing models, i.e. generalized Black-Scholes formulas.

Financial assets and liabilities measured at fair value are level 2 of the fair value hierarchy with the exception of other equity investments, which are level 3.

With the exception of cash and cash equivalents, which are allocated to level 1 of the fair value hierarchy, all other financial assets and liabilities at amortized cost are allocated to level 2 of the fair value hierarchy:

Fair value hierarchy:

The classification and reporting of the fair values of financial instruments are based on a fair value hierarchy that reflects the significance of the inputs used for measurement and breaks down as follows:

Level 1:

Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2:

Inputs other than quoted prices included within level 1 that are observable for an asset or liability either directly (as a price) or indirectly (derived from prices). The fair values of level 2 financial instruments are calculated based on the conditions at the end of the reporting period, such as interest rates or exchange rates, and using recognized models, such as discounted cash flow models or option pricing models.

Level 3:

Input data used for the measurement of the asset or liability not based on observable market data (unobservable inputs). For level 3 receivables the fair value is determined taking into account individual loss expectations that are essentially based on assumptions by the company regarding the counterparty's credit.

In the fiscal years 2019 and 2018 there were no reclassifications between levels 1 and 2 and no reclassifications into or out of level 3.

The interest income and expenses generated in connection with financial assets and financial liabilities are as follows:

€ thousand	2019	2018
Interest income	455	129
Interest expense	(437)	(228)

(33) Additional information on financial instruments (Continued)

Interest income on impaired financial assets is of secondary importance due to the usually short time before the expected payment.

The following tables contain information on possible offsetting effects on the consolidated statement of financial position and the financial impact of offsetting in the case of instruments which are subject to a legally enforceable master offsetting agreement or similar agreement.

The "Financial instruments" column shows the amounts that are the subject of a master offsetting agreement, but that cannot be offset because the conditions have not been met. Offsetting can only occur given certain future events, such as the insolvency of one of the parties. The columns "Collateral received" and "Collateral provided" show the amounts of cash collateral or collateral in the form of financial instruments received/ pledged in relation to the total amount of assets and liabilities.

Financial assets

	Carrying amount in statement of financial position		Amounts not offset in the statement of financial position	
€ thousand	Net amount of financial assets	Financial instruments	Collateral received	Net amount on Dec. 31, 2019
Derivative financial instruments	106	(106)	—	—

	Carrying amount in statement of financial position		Amounts not offset in the statement of financial position	
€ thousand	Net amount of financial assets	Financial instruments	Collateral received	Net amount on Dec. 31, 2018
Derivative financial instruments	3	(3)	—	—

Financial liabilities

	Carrying amount in statement of financial position		Amounts not offset in the statement of financial position	
€ thousand	Net amount of financial liabilities	Financial instruments	Collateral provided	Net amount on Dec. 31, 2019
Derivative financial instruments	1,860	(106)	—	1,754

	Carrying amount in statement of financial position		Amounts not offset in the statement of financial position	
€ thousand	Net amount of financial liabilities	Financial instruments	Collateral provided	Net amount on Dec. 31, 2018
Derivative financial instruments	1,320	(3)	—	1,317

The net gains and losses from financial instruments are shown in the table below:

€ thousand	2019	2018
Financial assets at amortized cost	603	1,359
Assets at fair value through other comprehensive income	—	(552)
Financial liabilities at amortized cost	(2,271)	(1,077)
Assets and liabilities at fair value through profit or loss	1,716	1,210
Net gain (+)/net loss (−)	48	940

Net gains and losses from financial assets measured at amortized cost essentially contain changes in valuation allowances and currency translation and the reversal of impairment losses.

(33) Additional information on financial instruments (Continued)

The net gains or losses from assets at fair value through other comprehensive income comprise the net income from other and financial investments.

The net gains or losses from financial assets and liabilities measured at fair value through profit or loss include changes in the fair value of derivative financial instruments not used in hedge accounting.

The net gains or losses from financial liabilities at cost mainly result from currency translation.

(34) Derivative financial instruments and hedging strategies

On account of its business activities and international orientation, the assets, liabilities and planned transactions of the RENK Group are subject to market, credit and liquidity risks. There is a Group-wide risk management system to identify, quantify and mitigate these risks. RENK was integrated into the MAN SE risk management system in fiscal year 2019 and used the instruments thus available.

(a) Risk management of the MAN Group

The companies hedge their currency risks at market conditions via the central Group Treasury of MAN SE. This uses primary and predominantly derivative financial instruments. In countries where exchange control regulations or regulatory provisions do not allow MAN SE to hedge its risks, foreign currency interest and money market transactions are entered into by MAN SE in the name and on behalf of the respective Group company. Derivative financial instruments are recognized on the trade date.

The risk positions of the Group are hedged externally with banks within predetermined risk limits by Group Treasury. Hedging is carried out with due regard for banks' risk management requirements and is subject to stringent monitoring, which is guaranteed in particular by the strict separation of functions in trading, settlement and control.

Liquidity management and investment in the MAN Group is centralized under Groupwide cash management. When investing cash and cash equivalents, financial institutions and investment vehicles are carefully selected and diversified with a limit system. The limits and their utilization are reviewed regularly. The majority of cash and cash equivalents are held in cash deposits at banks with an investment grade rating.

The Executive Board and the Supervisory Board of MAN SE are regularly informed about the market price risks of the MAN Group. Compliance with policies is monitored by the internal audit function.

(b) Currency risk at RENK

For each RENK company there is a currency risk if it performs transactions and incurs future cash flows in a currency other than its functional currency. To reduce the effect of exchange rate fluctuations, the RENK companies continuously quantify the exchange risk and hedge all material risks by using currency forwards and options.

In the RENK Group, all firm customer contracts, its own orders, receivables and liabilities in foreign currency are hedged. Currencies with a high correlation to the euro, such as the Danish krone, and equity investments or equity-type loans in foreign currencies, if at all relevant, are only hedged in individual cases. In addition, there is hedging for planned sales revenue in foreign currency from series production business within defined hedging ranges and, occasionally, for customer projects whose materialization is highly probable. The Executive Board of RENK is regularly informed of the currency positions of the RENK Group.

As of the end of the reporting period, RENK's foreign exchange exposure is primarily from transactions in USD, CHF, JPY, CNY and GBP. Thanks to the currency forwards and options in place for these currencies, RENK was not exposed to any significant risks.

In a sensitivity analysis, the primary and derivative financial instruments in place at the end of the reporting period were measured in a hypothetical scenario. The effects of a 10% appreciation/depreciation of a currency per currency pair as of December 31, 2019 and December 31, 2018 are as follows:

(34) Derivative financial instruments and hedging strategies (Continued)

	Dec. 31, 2019			
€ thousand	**Equity**		**Net profit/loss for the period**	
Currency pair	+10%	(10)%	+10%	(10)%
Euro/US dollar	—	—	5,258	(5,258)
Euro/Swiss franc	—	—	(1,153)	1,153
Euro/Chinese yuan	—	—	129	(129)
Euro/Pound sterling	—	—	(27)	27
Euro/Japanese yen	—	—	203	203
Euro/Norwegian krone	—	—	1	(1)
Swiss franc/US dollar	—	—	(7)	(7)

	Dec. 31, 2018			
€ thousand	**Equity**		**Net profit/loss for the period**	
Currency pair	+10%	(10)%	+10%	(10)%
Euro/US dollar	—	—	5,733	(5,733)
Euro/Swiss franc	—	—	(1,308)	1,308
Euro/Chinese yuan	—	—	179	(179)
Euro/Pound sterling	—	—	(92)	92
Euro/Japanese yen	—	—	118	(118)
Euro/Norwegian krone	—	—	+0	(0)
Swiss franc/US dollar	—	—	(23)	23

(c) Commodity price risk at RENK

RENK is exposed to the risk of changes in commodity prices and their availability, i.e. commodity procurement risk, both in connection with the procurement of the means of production but also in the procurement of energy (electricity, gas, oil, etc.).

As far as possible, this risk is countered by fixed price agreements with suppliers. Owing to the variety of commodities used and the resulting quantities, each comparatively small, the hedging of prices using corresponding instruments on the financial markets is not a substantial alternative for RENK. RENK had no commodity derivatives in fiscal year 2019.

There were no significant risk clusters in the past fiscal year.

(d) Credit risk at RENK

On account of its operating activities, RENK is exposed to credit risk, i.e. the risk that a counterparty does not meet its contractual obligations and thus causes a financial loss. Credit risks include direct counterparty risk and the risk of a deterioration in credit quality.

The maximum credit risk is reflected by the carrying amounts of financial assets reported in the statement of financial position. Credit risks are minimized, and risk provisions calculated, mainly with the following measures:

Sovereign and counterparty risks arising from business operations are continuously assessed locally. Security levels and forms are determined based on this. Outstanding debts are also continuously monitored locally. If default risks arise, allowances are recognized. Credit risk is limited by various, sometimes country-specific, forms of security. Letters of credit, credit insurance, guarantees, warranties, retention of title and customer prepayments are used. In project business, the risk of default is minimized by prepayments and by obtaining collateral.

RENK recognizes appropriate loss allowances for expected credit losses in connection with its business operations. It also performs an ongoing assessment of all financial assets measured at amortized cost. Allowances on trade receivables and contract assets are calculated using a provision matrix with provision

(34) Derivative financial instruments and hedging strategies (Continued)

rates graded according to the aging analysis of receivables. Specific valuation allowances are recognized if there is objective evidence of credit losses or other contractual anomalies. Other financial receivables and cash and cash equivalents are checked for cash shortfalls using a general three-stage approach.

There were no significant clusters in terms of credit risk in the RENK Group in the past fiscal year.

The credit risks of the financial assets can be grouped into the following risk classes:

	Risk class 1		Risk class 2		Risk class 3	
	Receivables without evidence of credit impairment		Credit impaired receivables		Defaulted receivables	
€ thousand	2019	2018	2019	2018	2019	2018
Stage 1: 12-month expected credit loss	126,812	200,281	—	—	—	—
Stage 2: Lifetime expected credit losses (not impaired)	—	—	—	—	—	—
Stage 3: Lifetime expected credit losses (impaired)	—	—	—	—	—	—
Purchased or originated credit-impaired financial instruments	—	—	—	—	—	—
Simplified approach: Lifetime expected credit losses	127,896	106,063	5,939	5,146	8,076	4,192
	254,708	306,343	5,939	5,146	8,076	4,192

Level 1 essentially comprises the receivables from the central financial management of the MAN Group and other cash and cash equivalents. As these are due on demand, loss allowances are not recognized on these financial assets.

Loss allowances are recognized based on maturity profiles and provision rates for expected credit losses for receivables that are not impaired. Specific valuation allowances are recognized if there is objective evidence of impairment on the receivables in question.

(e) Liquidity risk at RENK

Liquidity risk describes the risk that the RENK Group is unable to adequately meet its payment obligations or can raise liquidity only at a higher price.

RENK was included in the liquidity management system of the MAN Group in the year under review on the basis of a service agreement. To limit this risk, inflows and outflows of cash and maturities are monitored and managed at all times. Financing requirements are covered by both operating cash flow and external financing. There were therefore no significant risk clusters in the past fiscal year.

Cash for the operating units is essentially managed centrally as part of cash pooling. The cash and cash equivalents of the Group companies and MAN SE are merged daily. Thus, liquidity surpluses and requirements can be managed as necessary. For external financing, the opportunities on the financial markets are tracked continuously to ensure financial flexibility and to limit refinancing risks.

In certain countries (such as Brazil and China), the Group can only dispose over local cash and cash equivalents internationally in compliance with the applicable foreign exchange restrictions. Other than this there are no significant restrictions.

Cash and cash equivalents are essentially used to finance working capital and short-term obligations. Management is informed regularly about cash inflows and outflows.

The cash flows at RENK are dominated by the maturities arising from business operations. These are predominantly of a short-term nature. Cash clearing takes place through the inclusion in the central financial management of the MAN Group.

The following table shows how the cash flows of liabilities, derivative financial instruments and contingent liabilities affect RENK's liquidity situation:

(34) Derivative financial instruments and hedging strategies (Continued)

Maturities(1)

€ thousand	Dec. 31, 2019 2020	Dec. 31, 2019 2021 to 2024	Dec. 31, 2019 > 2024	Dec. 31, 2018 2019	Dec. 31, 2018 2020 to 2023	Dec. 31, 2018 > 2023
Cash outflows from primary financial liabilities	44,626	4,985	1,233	41,536	112	8
of which trade payables	41,235	—	—	39,407	—	—
of which other financial liabilities	2,106	964	74	2,129	112	8
of which from loan liabilities	—	120	—	—	—	—
of which from lease liabilities(2)	1,284	3,901	1,159	—	—	—
Cash outflows from liability derivative financial instruments and gross fulfillment(3)	(19,599)	(17,671)	(1,258)	(34,668)	(21,398)	(1,027)
Associated cash inflows	18,561	15,956	1,042	32,939	19,733	861
Potential cash outflows from contingent liabilities(4)	27	—	—	—	—	—
of which for repayment obligations	27	—	—	—	—	—

(1) The procedure for calculating the amounts was as follows:

- If the maturity date is not fixed, the liability is assigned to the earliest maturity date.
- Interest payments for floating rate interest are taken into account in line with the conditions as of the end of the reporting period.
- It is assumed that the cash outflows will not occur earlier than shown.

(2) New disclosure under IFRS 16. Please see "New and revised accounting pronouncements and methods".

(3) In accordance with the requirements of IFRS 7, only undiscounted cash flows of the contractual interest and principal payments are shown.

(4) There are guarantee obligations for guarantees under trade obligations. The maximum possible cash outflows are shown. The amounts are assumed to be due in the first year.

(35) Remuneration of the Executive Board

The remuneration of the members of the Executive Board of RENK Aktiengesellschaft consists of fixed remuneration and variable remuneration (see remuneration report). Furthermore, members of the Executive Board receive a pension commitment.

Total Executive Board remuneration in accordance with section 314(1) no. 6a HGB and IFRS amounts to € 1,983 thousand in the fiscal year (previous year: € 1,840 thousand).

The table below shows the individual remuneration for the active members of the Executive Board for 2019 (2018).

€ thousand	Florian Hofbauer 2019	Florian Hofbauer 2018	Christian Hammel 2019	Christian Hammel 2018	Total 2019	Total 2018
Fixed remuneration(1)	304	303	293	294	597	597
Variable remuneration(2)	594	524	528	466	1,122	989
Pension cost	140	134	124	119	264	253
Total	1,038	961	945	879	1,983	1,840
Present value of pension obligation	2,715	2,406	584	424	3,299	2,830

(1) Non-performance-based remuneration component including additional benefits

(2) Performance-based remuneration component:

(35) Remuneration of the Executive Board (Continued)

2019—According to figures currently available

2018—According to final figures

Short-term employee benefits comprise fixed and variable remuneration. The pension cost and the present value of the pension obligations are assigned to the accumulated post-employment benefit obligation. There are no other long-term employee benefits, termination benefits or share-based payments.

There was no subsequent adjustment of the bonus in variable remuneration in 2019 or in the previous year.

The reported pension cost exclusively comprises the service cost incurred in the respective fiscal year.

The pension benefits for former members of the Executive Board of the company and their surviving dependents amounted to € 264 thousand (€ 264 thousand). Total provisions of € 3,630 thousand were recognized for pension obligations to former members of the Executive Board and their surviving dependents (previous year: € 3,520 thousand).

Information on the members of the Executive Board, including their memberships of other statutory supervisory boards and similar executive bodies, can be found in the "Members of the Supervisory Board and the Executive Board and their mandates" section.

(36) Supervisory Board

The remuneration of the members of the Supervisory Board is regulated in the Articles of Association. They provide for fixed remuneration of € 10,000. The chair of the Supervisory Board receives double the fixed remuneration, the deputy chair and the chair of a committee one and a half times this amount, a committee member 1.25 times the amount. There is no separate remuneration for the chair or members of the Mediation Committee. If members perform several functions, remuneration is based on the function with the highest remuneration entitlement.

Any expenses arising are also reimbursed.

Remuneration of the Supervisory Board in €

Name	Membership period	Total
Dr. Ingrun-Ulla Bartölke	Fullyear	—
Roberto Armellini*	Fullyear	15,000
Michael Behrendt	Fullyear	15,000
Hardy Brennecke	Fullyear	—
Joachim Drees	Fullyear	12,500
Lothar Evers*	Fullyear	10,000
Christiane Hesse	Fullyear	—
Thorsten Jablonski	Fullyear	—
Adela Lieb	Fullyear	10,000
Klaus Refle*	Fullyear	12,500
Karina Schnur*	Fullyear	12,500
Mario Sommer*	Fullyear	10,000
Total 2019		97,500
Total 2018		95,217

* These employee representatives have declared that they pay their Supervisory Board remuneration to the Hans Böckler Foundation in accordance with German Trade Union Confederation policy.

The employee representatives on the Supervisory Board also employed at RENK additionally receive their standard pay as employees. Information on the members of the Supervisory Board, including their memberships of other statutory supervisory boards and similar executive bodies, can be found in the corresponding section.

(37) German Corporate Governance Code

In December 2019, the Executive Board and the Supervisory Board issued the Declaration of Conformity reproduced below in accordance with section 161 of the German Stock Corporation Act (AktG):

"The Executive Board and the Supervisory Board of RENK AG declare that the recommendations of the Government Commission on the German Corporate Governance Code as amended on February 7, 2017 promulgated by the Federal Ministry of Justice on April 24, 2017 in the official section of the Bundesanzeiger (the Federal Gazette) were complied with in the period since the last Declaration of Conformity was issued in December 2018 and are still complied with, with the exception of items 4.2.3(2) sentence 3 (forward-looking variable remuneration), 5.4.1(6) to (8) (disclosure of proposals of candidates for election) and 7.1.1 sentence 2 (intra-year financial information).

- The recommendation of item 4.2.3(2) sentence 3 is not complied with in that the assessment base for variable remuneration components is not essentially forward-looking. The current remuneration system is based on the recommendation found in the version of the Code dated May 5, 2015. The Supervisory Board considers a long-term assessment basis that is essentially forward-looking to be appropriate and is preparing an adjustment of the remuneration system. However, this is to be based on the recommendations included in the version of the Code issued on May 9, 2019 but which is not yet effective.
- Regarding the recommendation in items 5.4.1(6) to (8) of the Code on the disclosure of certain circumstances of nominations by the Supervisory Board to the Annual General Meeting, the requirements of the Code are unspecific and unclear in their application. A departure from the Code as regards this matter has thus been declared as a precaution.

Regardless of this, the Supervisory Board will endeavor to comply with the requirements of items 5.4.1(6) to (8) of the Code.

- The recommendation of item 7.1.1 sentence 2 (intra-year financial information) is not complied with as the Executive Board and Supervisory Board of RENK AG consider an obligation to release quarterly publications in addition to the statutory requirement of the Wertpapierhandelsgesetz (WpHG—German Securities Trading Act) to be unnecessary."

Augsburg, December 2019

For the Supervisory Board — For the Executive Board

Dr. Ingrun-Ulla Bartölke — Florian Hofbauer

(38) Segment reporting

The activities of the RENK Group are still divided into the reportable segments Special Gear Units, Vehicle Transmissions, Standard Gear Units and Slide Bearings. The management of each of these segments reports directly to the Executive Board of RENK AG in its function as the responsible chief operating decision maker.

The Special Gear Units segment comprises large-gear production at RENK AG's Augsburg site and RENK-MAAG GmbH, Winterthur, Switzerland. The product range extends from stationary gear units for a variety of industrial applications, to turbo gear units, to complex gear units for fast craft and naval applications.

The Vehicle Transmissions segment is a leading manufacturer of fully automatic transmissions for medium-weight and heavy tracked vehicles, and also offers a broad range of powerful test rigs for a variety of industries. It comprises the corresponding activities at RENK AG's Augsburg site, the French subsidiary RENK France S.A.S., Saint-Ouen-l'Aumône, France, RENK Test System GmbH (RTS) in Augsburg and its US sales company RENK Systems Corporation, Camby (IN), USA. The Horstman Group joined in 2019 with the companies Horstman Holdings Limited, Bath, UK, Horstman Defence Systems Limited, Bath, UK and Horstman Inc., Sterling Heights (MI), USA.

The Standard Gear Units segment includes large-gear production at RENK AG's Rheine site. It specializes in marine gear units for merchant shipping, LNG/LPG tankers, special ships and offshore wind turbine gear units. It also manufactures gear units for turbine plants and couplings for industrial applications.

The Slide Bearings segment at RENK AG's Hanover site and the American sales company RENK Corporation, Duncan (SC), USA, primarily supply hydrodynamic, lubricated slide bearings. These are used for electric motors, generators, pumps, blowers, water turbines, conveyors and marine applications.

(38) Segment reporting (Continued)

The financial performance indicators for segments are sales revenue, operating profit and operating return on sales. The operating return on sales is the ratio of the operating profit generated to sales revenue. The non-financial performance indicator is order intake as measured by reference to binding incoming orders. Segment information is determined applying the same accounting policies as those used in the preparation of the consolidated financial statements. Transactions between segments are performed on an arm's length basis.

Segment information by segment

€ thousand	Special Gear Units 2019	Special Gear Units 2018	Vehicle Transmissions 2019	Vehicle Transmissions 2018	Standard Gear Units 2019	Standard Gear Units 2018	Slide Bearings 2019	Slide Bearings 2018	Consolidation 2019	Consolidation 2018	Group 2019	Group 2018
Order intake from third parties	172,848	205,886	215,240	168,007	66,609	71,050	85,000	83,992	—	—	539,697	528,935
Order intake from other segments	2,939	1,714	1,561	2,960	3,513	4,688	47	838	(8,060)	(10,201)	—	—
Total order intake	175,787	207,601	216,801	170,968	70,122	75,738	85,047	84,830	(8,060)	(10,201)	539,697	528,935
Sales revenue with third parties	178,927	168,814	228,447	174,422	67,916	73,838	83,319	85,144	—	—	558,609	502,218
Sales revenue with other segments	2,501	2,025	1,561	2,965	4,594	5,047	1,471	1,481	(10,127)	(11,518)	—	—
Total sales revenue	181,428	170,839	230,008	177,388	72,510	78,885	84,790	86,625	(10,127)	(11,518)	558,609	502,218
Order backlog Dec. 31	269,451	276,068	473,979	419,481	54,545	57,893	31,267	30,973	(8,463)	(10,531)	820,779	773,883
Operating profit	6,207	5,234	43,543	37,352	1,038	6,459	9,607	11,170	28	(2)	60,423	60,213
Investitions(1)	9,930	14,067	15,709	14,407	5,948	5,410	2,947	1,477	—	—	34,534	35,361
Depreciations(2)	8,990	7,266	8,708	5,890	3,464	3,448	2,317	2,489	(81)	(81)	23,398	19,012
Operating return on sales	3.4%	3.1%	18.9%	21.1%	1.4%	8.2%	11.3%	12.9%	—	—	10.8%	12.0%

(1) 2019: Including additions right of use assets form IFRS 16.

(2) Depreciation and amortization did not include impairment losses for either fiscal year 2019 or the previous year.

Segment information by region

€ thousand	Germany	Rest of Europe	Other regions	Total
2019				
Sales revenue	160,670	186,637	211,301	558,609
Payments to acquire property, plant and equipment and intangible assets	30,830	3,667	37	34,534
2018				
Sales revenue	161,515	180,267	160,436	502,218
Payments to acquire property, plant and equipment and intangible assets	29,911	5,350	100	35,361

(39) List of shareholdings of RENK AG as of December 31, 2019

Name and registered office of the company	Share of capital in %	Local currency (LC)	Exchange rate (EUR/LC)	Equity (1,000 LC)	Result (1,000 LC)
RENK France S.A.S., Saint-Ouen-l'Aumône, France	100	EUR	1	23,205	2,013
RENK Corporation, Duncan, South Carolina, USA	100	USD	1.1228	13,851	1,775
RENK Test System GmbH, Augsburg	100	EUR	1	12,485	(489)
RENK Systems Corporation, Camby, Indiana, USA	100	USD	1.1228	3,683	1,542
RENK Transmisyon Sanayi A.S., Istanbul, Turkey(1)	55	TRY	6.0561	9,020	2,480
RENK UAE LLC, Abu Dhabi, United Arab Emirates(1)	49	AED	4.2067	16,142	680
COFICAL RENK MANCAIS DO BRASIL LTDA, Guaramirim, Brazil(1)	98	BRL	4.4449	19,919	2,812
RENK-MAAG GmbH, Winterthur, Switzerland	100	CHF	1.0855	19,369	2,753
RENK Shanghai Service and Commercial Co., Ltd. Shanghai, China(1)	100	CNY	7.8773	5,722	1,936
RENK (UK) Ltd., London, UK (inactive)	100	GBP	n/a	n/a	n/a
Renk Gears Private Ltd., Bangalore, India(2)	100	INR	77.6580	65,776	(21,975)
Renk Korea Co., Ltd., Busan, South Korea(1)	100	KRW	1,276.9000	538,314	(219,140)
Schelde Gears B.V., Vlissingen, Netherlands(1)	100	EUR	1	1,938	577
Horstman Defence Systems Ltd., Bath, UK(3)	100	GBP	0.8500	14,436	3,359
Horstman Holdings Ltd., Bath, UK(3)	100	GBP	0.8500	10,386	(17)
Horstman, Inc., Sterling Heights, Michigan, USA(3)	100	USD	1.1228	(2,473)	(566)
Horstman Systems Inc., Woodbridge, Ontario, Canada(4)	100	CAD	1.5131	(3,771)	(265)
RENK Holding Canada Inc., Toronto, Ontario, Canada(4)	100	CAD	1.4668	3,000	—
Modest Tree Media Inc., Halifax, Nova Scotia, Canada(5)	17.54	CAD	1.4668	286	58

(1) As of: December 31, 2018

(2) As of: March 31, 2019 due to the different fiscal year

(3) Short fiscal year (April 1 – December 31, 2019)

(4) Equity is recognized for the time of acquisition on account of the new establishment/acquisition

(5) Acquisition as of August 23, 2019. Equity in accordance with the last available financial statements as of June 30, 2019

(40) Equity investments in RENK AG

Volkswagen Vermögensverwaltungs-GmbH (formerly: Volkswagen Klassik GmbH), Wolfsburg (a wholly-owned subsidiary of Volkswagen Aktiengesellschaft, Wolfsburg), holds 76% of the voting rights (equal to 5,320,000 voting rights) in RENK AG.

All the above 5,320,000 voting rights are attributed to Volkswagen Aktiengesellschaft, Porsche Automobil Holding SE and their controlling shareholders in accordance with section 34(1) sentence 1 no. 1 WpHG through Volkswagen Vermögensverwaltungs-GmbH (formerly: Volkswagen Klassik GmbH).

RENK AG was not advised of, nor is it aware of, any other direct or indirect shareholdings in the capital of the company exceeding 10% of the voting rights or the relevant reporting thresholds of the German Securities Trading Act.

(41) Related party disclosures

Related parties as defined by IAS 24 are natural persons and companies that can be influenced by RENK AG, that can significantly influence RENK AG or that are influenced by another related party of RENK AG.

Given its shareholding of 76% in RENK AG, Volkswagen Vermögensverwaltungs-GmbH (formerly: Volkswagen Klassik GmbH) is its parent company and therefore a related party of RENK. This also applies to the subsidiaries of Volkswagen Vermögensverwaltungs-GmbH (formerly: Volkswagen Klassik GmbH) and the related parties of Volkswagen Vermögensverwaltungs-GmbH (formerly: Volkswagen Klassik GmbH) itself. In particular, these include Traton SE, Volkswagen Aktiengesellschaft and Porsche Automobil Holding SE with all their affiliated companies.

Exchanges of goods and services between RENK and its related parties are conducted as at arm's length.

Essentially the following types of transactions are performed with subsidiaries of the Volkswagen Vermögensverwaltungs Group:

- Deliveries of goods to MAN Energy Solutions companies, in particular gear units and bearings for ships and turbines, plus test rigs and related services.
- Sourcing from MAN Energy Solutions companies, mainly primary materials for gear unit production such as cast components and services.

The exchange of goods and services with companies of the Traton Group, Volkswagen and the Porsche Group essentially relates to the following transactions:

- Other services and reciprocal services with MAN SE, such as debit and credit interest from intercompany payment transactions, and cost reimbursements for other services.
- Delivery of test rigs and related services to company of the Volkswagen or Porsche Group. RENK purchases services, e.g. in the context of vehicle leases.

There was no exchange of goods or services with the parent company of Volkswagen Vermögensverwaltungs-GmbH (formerly: Volkswagen Klassik GmbH) in the reporting period or in the previous year.

The table below shows the extent of relationships with other companies of the Volkswagen Vermögensverwaltungs Group, Volkswagen and the Porsche Group:

€ thousand	2019	2018
Services rendered (income)	25,302	25,674
Services received (expense)	7,991	6,509
Receivables (Dec. 31)	106,105	190,874
Liabilities (Dec. 31)	4,444	3,801

MAN SE provided RENK companies with direct and indirect guarantees of € 6,284 thousand and derivative hedges with a nominal value of € 51,100 thousand as of December 31, 2019. There were receivables of € 98,666 thousand (previous year: € 185,457 thousand) from cash management with MAN SE and other MAN companies as of December 31, 2019.

(41) Related party disclosures (Continued)

Volkswagen's relationships with RENK AG include reimbursements for consulting expenses and internal costs incurred by RENK AG related to preparing the disposal of the equity investment to RENK AG by the Volkswagen Group.

Other related parties are the subsidiaries of the RENK Group that are not included in the consolidated financial statements. The exchange of services essentially comprises the supply of parts and the performance of services at market rates. The following table shows the extent of services:

€ thousand	2019	2018
Services rendered (income)	7,154	6,254
Services received (expense)	3,100	2,968
Receivables (Dec. 31)	2,747	3,190
Liabilities (Dec. 31)	996	1,250

Trade receivables from and trade payables to affiliated companies are reported under notes (19), (20) and (28). There are financial obligations to affiliated companies under operating leases of € 18 thousand (previous year: € 105 thousand).

Outstanding items in connection with related parties are not collateralized, nor had valuation allowances been recognized as of the end of the reporting period.

Related parties of RENK also include persons who can influence or be influenced by RENK AG, such as the members of the Executive Board and Supervisory Board of RENK AG, the members of the management of Volkswagen Vermögensverwaltungs-GmbH (formerly: Volkswagen Klassik GmbH) and the members of the Executive Board and Supervisory Board of VW AG.

Please see "Remuneration of the Executive Board" and "Supervisory Board" for disclosures required in accordance with IAS 24 on management remuneration for key positions. As in the previous year, no business relationships were maintained with the related parties in the reporting period.

(42) Events after the end of the reporting period

On January 30, 2020, Volkswagen Vermögensverwaltungs-GmbH (formerly: Volkswagen Klassik GmbH), Wolfsburg, entered into a share purchase agreement with SCUR-Alpha 1138 GmbH, (in future: Rebecca BidCo GmbH) to acquire a total of 5,320,000 shares in RENK AG (representing 76% of share capital and voting rights). SCUR-Alpha 1138 GmbH is held by the "Triton V" fund managed by Triton Investment Management Limited.

The purchase price per share is € 97.80. This is subject to change depending on the dividend paid but will not exceed € 100.00 per share. The completion of the share purchase agreement is subject to merger control, other official approvals and certain other conditions.

On the same day, SCUR-Alpha 1138 GmbH announced a voluntary takeover offer to acquire all of RENK AG's no-par value bearer shares. The takeover offer includes the payment of consideration in cash. The amount of the consideration payable is determined by section 31 of the German Securities Acquisition and Takeover Act (WpÜG) and sections 3 et seqq. of the WpÜG Offer Ordinance.

SCUR-Alpha 1138 GmbH and RENK AG also concluded an investment agreement that sets out the key terms and conditions of the offer and mutual intentions and understanding regarding future collaboration and strategy.

The RENK AG Executive Board welcomes the investment and the takeover offer and, subject to the review of the offer documents published within the meaning of section 11 WpÜG, will support the takeover offer.

Neither this situation nor other events have any impact on the RENK Group's net assets, financial position and results of operations as of December 31, 2019.

Members of the Supervisory Board and the Executive Board and their mandates

(43) Supervisory Board

Dr. Ingrun-Ulla Bartölke

Wolfsburg

Chairwoman of the Supervisory Board

Head of Group Accounting and External Reporting at Volkswagen Aktiengesellschaft

Volkswagen Bank GmbH(2)

SEAT S.A., Spain(4)

Roberto Armellini(*)

Augsburg

Deputy Chairman of the Supervisory Board

Member of the Supervisory Board until December 31, 2019

Managing Director of IG Metall Augsburg

Michael Behrendt

Hamburg, Germany

Chairman of the Supervisory Board of Hapag-Lloyd AG

Barmenia Allgemeine Versicherungs-AG (Deputy Chairman)(1)

Barmenia Krankenversicherung AG (Deputy Chairman)(1)

Barmenia Lebensversicherung a. G. (Deputy Chairman)(1)

Barmenia Versicherungen a. G. (Deputy Chairman)(1)

ExxonMobil C. E. Holding GmbH(1)

Hapag-Lloyd AG (Chairman)(1)

MAN Ener gy Solutions SE(1)

MAN SE(1)

MAN Truck & Bus SE(1)

Hardy Brennecke

Wolfenbüttel

Head of the Executive Office for the Commercial Vehicles division of Volkswagen Aktiengesellschaft Secretary

Secretary General of TRATON SE

Joachim Drees

Stuttgart

Chairman of the Executive Board of MAN Truck & Bus SE

Chairman of the Executive Board of MAN SE

Member of the Executive Board of TRATON SE

(43) Supervisory Board (Continued)

MAN Energy Solutions SE[1)]

Rheinmetall MAN Military Vehicles GmbH[(1)]

Volkswagen Financial Services AG[(1)]

MAN Truck & Bus Deutschland GmbH (Chairman)[(2)]

Sinotruk (Hong Kong) Ltd., China[(3)]

Lothar Evers[(*)]

Rheine

Chairman of the Works Council RENK AG, Rheine plant

Christiane Hesse

Wunstorf

Member of the Board of Management (Human Resources and Organization) of Volkswagen Financial Services AG

MAN Financial Services GmbH[(4)]

MAN Financial Services (SA) (RF) (Pty) Ltd., South Africa (Chairman)[(4)]

VDF Faktoring A.S., Turkey (Chairwoman)[(4)]

VDF Filo Kiralama A.S., Turkey (Chairwoman)[(4)]

VDF Servis ve Ticaret A.S., Turkey (Chairwoman)[(4)]

VDF Sigorta Aracilik Hizmetleri A.S., Turkey (Chairwoman)[(4)]

Volkswagen Doğuş Finansman A.S., Turkey (Chairwoman)[(4)]

Volkswagen Financial Services Digital Solutions GmbH[(4)]

Volkswagen Financial Services South Africa (Pty) Ltd., South Africa (Chairwoman)[(4)]

Thorsten Jablonski

Ilsede

Head of Transmissions and Electric Drive for Volkswagen Aktiengesellschaft

Volkswagen Automatic Transmission (Dalian) Co., Ltd., China (Chairman)[(4)]

Volkswagen Automatic Transmission (Tianjin) Co., Ltd., China[(4)]

Volkswagen Transmission (Shanghai) Company Ltd., China[(4)]

Adela Lieb[(*)]

Augsburg

General Manager for Commercial Administration, Finance and Controlling at

RENK Test System GmbH

Klaus Refle[(*)]

Bobingen

Chairman of the Group Works Council of RENK AG,

(43) Supervisory Board (Continued)

Chairman of the Works Council of RENK AG, Augsburg plant and RENK Test System GmbH

Karina Schnur[*]

Reichertshofen

Member of the Supervisory Board until December 31, 2019

Secretary General for the Codetermination of MAN Truck & Bus SE and TRATON SE

MAN SE[(1)]

MAN Truck & Bus SE[(1)]

MAN Truck & Bus Deutschland GmbH[(1)]

TRATON SE[1)]

Mario Sommer[*]

Augsburg

Process planner for cubic parts production in the Vehicle Transmissions segment of RENK AG

As of December 31, 2019 or, if earlier, date of resignation.

(44) Committees of the Supervisory Board

Members of the Committee for Management Board Personnel

Dr. Ingrun-Ulla Bartölke (Chairwoman)

Roberto Armellini (Deputy Chairman)

Joachim Drees

Klaus Refle

Members of the Nomination Committee

Dr. Ingrun-Ulla Bartölke

Joachim Drees

Members of the Mediation Committee

Dr. Ingrun-Ulla Bartölke (Chairwoman)

Roberto Armellini (Deputy Chairman)

Joachim Drees

Klaus Refle

(*) Elected by employees

(1) Memberships of statutory supervisory boards in Germany

(2) Memberships of statutory supervisory boards in Germany (Group mandates)

(3) Memberships of statutory supervisory boards in Germany and abroad (Group mandates)

(4) Memberships of comparable supervisory bodies in Germany and abroad (Group mandates)

(44) Committees of the Supervisory Board (Continued)

Members of the Audit Committee

Michael Behrendt (Chairman)

Klaus Refle (Deputy Chairman)

Dr. Ingrun-Ulla Bartölke

Karina Schnur

As of Dec. 31, 2019

(45) The Executive Board

Dipl.-Ing. (FH) Florian Hofbauer

Landsberg

Spokesperson

Engineering and Sales

Modest Tree Media Inc., Canada(1)

Horstman Defence Systems Ltd., UK(2)

Horstman Holdings Ltd., UK2)

RENK Holding Canada Inc., Canada(2)

RENK Shanghai Service and Commercial Co., Ltd., China(2)

Dipl.-Kfm. (Univ.) Christian Hammel

Munich

Administration and Production

RENK Gears Private Ltd., India(2)

RENK Korea Co., Ltd., Korea(2)

Augsburg, February 18, 2020

RENK Aktiengesellschaft

The Executive Board

Florian Hofbauer Christian Hammel

As of Dec. 31, 2019

(1) Memberships of statutory supervisory boards in Germany and abroad (Group mandates)

(2) Memberships of comparable supervisory bodies in Germany and abroad (Group mandates)

The following auditor's report (*Bestätigungsvermerk*) has been issued in accordance with Section 322 of the German Commercial Code (*Handelsgesetzbuch*) on the consolidated financial statements and group management report (*Konzernlagebericht*) of Renk Aktiengesellschaft as of and for the fiscal year ended December 31, 2019. The group management report is neither included nor incorporated by reference in this Offering Memorandum.

INDEPENDENT AUDITOR'S REPORT

To Renk Aktiengesellschaft, Augsburg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of Renk Aktiengesellschaft, Augsburg, and its subsidiaries (the Group), which comprise the consolidated income statement for the financial year from January 1 to December 31, 2019, the Reconciliation to Total Comprehensive Income for the Period the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Renk Aktiengesellschaft for the financial year from January 1 to December 31, 2019. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2019, and of its financial performance for the financial year from January 1 to December 31, 2019, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ Management and measurement of inventories

❷ Acquisition of the Horstman Group

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and issue

② Audit approach and findings

③ Reference to further information

Hereinafter we present the key audit matters:

❶ Management and measurement of inventories

① EUR 41 million in raw materials, consumables and supplies, EUR 187 million in work in progress, and EUR 3 million in prepayments were recognized under "Inventories" in the consolidated statement of financial position of Renk Aktiengesellschaft, Augsburg. From our point of view, this balance sheet item is of particular importance due to its material amount and the fact that the measurement of inventories is to a large extent based on estimates and assumptions made by management. The reliability of the processes and controls put in place is also a material requirement for managing inventories of work in progress.

② Given that the management and measurement complexity of inventories gives rise to an increased risk of accounting misstatements, we assessed the Group's processes and controls relating to the management and measurement of inventories. Our specific audit approach included testing of the controls and substantive audit procedures, in particular:

- observing stocktaking at multiple sites;
- auditing the measurement of inventories.

We verified the appropriateness of the systems, processes and controls in place, and that the estimates and assumptions made by management are sufficiently substantiated and documented.

③ The Company's disclosures relating to inventories are contained in notes (3)(g) and (18) to the consolidated financial statements.

❷ Acquisition of the Horstman Group

① With effect from April 16, 2019, Renk Aktiengesellschaft acquired 100% of the shares of the Horstman Group. The total purchase price for the acquisition was EUR 44.4 million. The acquisition was accounted for as a business combination using the acquisition method in accordance with IFRS 3. During the purchase price allocation, the identified assets and assumed liabilities and contingent liabilities of the company acquired were recognized at their fair values. Taking into account the acquired net assets of EUR 38.7 million that are to be allocated to the Company, the acquired goodwill amounted to EUR 5.7 million. Due to the estimation uncertainties involved in measuring the assets and liabilities as part of the purchase price allocation, and the overall material impact of the amounts involved in the acquisition on the net assets, financial position and results of operations of the RENK Group, this matter was of particular significance in the context of our audit.

② In auditing the acquisition of the Horstman Group, we initially inspected and reviewed the contractual agreements and reconciled the purchase price agreed as consideration for the shares received with the supporting payment documentation provided to us. On this basis, we reviewed the balance sheet underlying the acquisition based on the fair values as of the date of first-time consolidation. This involved assessing the appropriateness of, among other things, the models employed for the valuations as well as the valuation inputs and assumptions used. Given the special features involved in calculating the fair values in the context of the purchase price allocation, our valuation specialists assisted in the process. We also assessed the disclosures in the notes to the financial statements that are required under IFRS 3.

Overall, we were able to satisfy ourselves that this acquisition was correctly presented in the financial statements and that the estimates and assumptions made by the executive directors are comprehensible and adequately substantiated.

③ The Company's disclosures relating to the acquisition are contained in sections (3)(n) and (14) of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the group statement on corporate governance pursuant to § 289f HGB and § 315d HGB
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code
- the information on the separate non-financial report pursuant to § 289b and § 315b HGB

The other information comprises further the remaining parts of the annual report—excluding cross-references to external information—with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on May 7, 2019. We were engaged by the supervisory board on May 16, 2019. We have been the group auditor of the Renk Aktiengesellschaft, Augsburg, without interruption since the financial year 2010.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Jürgen Schumann.

Munich, February 18, 2020

PricewaterhouseCoopers GmbH

Wirtschaftsprüfungsgesellschaft

Jürgen Schumann	ppa. Stefan Postenrieder
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

COMBAT PROPULSION SYSTEMS

A BUSINESS OF L3HARRIS TECHNOLOGIES, INC.

Combined Financial Statements

As of and for the Fiscal Years Ended January 1, 2021 and January 3, 2020

(With Report of Independent Auditors)

INDEX TO COMBINED FINANCIAL STATEMENTS

Report of Independent Auditors

To Management of L3Harris Technologies, Inc.

We have audited the accompanying combined financial statements of Combat Propulsion Systems, a business of L3Harris Technologies, Inc., which comprise the combined balance sheets as of January 1, 2021 and January 3, 2020, and the related combined statements of income, comprehensive income, changes in parent's equity and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Combat Propulsion Systems at January 1, 2021 and January 3, 2020, and the combined results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Orlando, Florida

May 28, 2021

COMBAT PROPULSION SYSTEMS
A BUSINESS OF L3HARRIS TECHNOLOGIES, INC.
COMBINED STATEMENT OF INCOME

	Fiscal Years Ended	
	2020	2019
	(In thousands)	
Revenue from product sales and services	$236,433	$182,716
Cost of product sales and services	146,433	111,454
Engineering, selling and administrative expenses	31,375	26,059
Non-operating income	4,252	1,794
Income before income taxes	62,877	46,997
Income taxes	16,218	10,248
Net income	$ 46,659	$ 36,749

See accompanying Notes to Combined Financial Statements.

COMBAT PROPULSION SYSTEMS

A BUSINESS OF L3HARRIS TECHNOLOGIES, INC.

COMBINED STATEMENT OF COMPREHENSIVE INCOME

	Fiscal Years Ended	
	2020	**2019**
	(In thousands)	
Net income	$46,659	$36,749
Other comprehensive (loss) income:		
Foreign currency translation gain (loss), net of income taxes	970	(184)
Total comprehensive income	$47,629	$36,565

See accompanying Notes to Combined Financial Statements.

COMBAT PROPULSION SYSTEMS

A BUSINESS OF L3HARRIS TECHNOLOGIES, INC.

COMBINED BALANCE SHEET

	Fiscal Years Ended	
	2020	**2019**
	(In thousands)	
Assets		
Current Assets		
Cash	$ 7,939	$ 6,292
Receivables	33,767	13,019
Contract assets	39,523	51,317
Inventories	5,591	8,672
Other current assets	289	152
Total current assets	87,109	79,452
Non-current Assets		
Property, plant and equipment	23,818	26,845
Operating lease right-of-use assets	2,972	2,995
Goodwill	127,548	127,548
Other intangible assets	514	729
Deferred income taxes	2,787	2,748
Total non-current assets	157,639	160,865
	$244,748	$240,317
Liabilities and Equity		
Current Liabilities		
Accounts payable	$ 16,539	$ 17,101
Contract liabilities	5,782	1,454
Compensation and benefits	3,218	3,318
Other accrued items	875	1,258
Total current liabilities	26,414	23,131
Non-current Liabilities		
Operating lease liabilities	2,672	2,726
Deferred income taxes	27,646	26,862
Other long-term liabilities	403	418
Total non-current liabilities	30,721	30,006
Parent's Equity		
Net parent investment	187,364	187,901
Accumulated other comprehensive income (loss)	249	(721)
Total parent's equity	187,613	187,180
	$244,748	$240,317

See accompanying Notes to Combined Financial Statements.

COMBAT PROPULSION SYSTEMS

A BUSINESS OF L3HARRIS TECHNOLOGIES, INC.

COMBINED STATEMENT OF CASH FLOWS

	Fiscal Years Ended	
	2020	**2019**
	(In thousands)	
Operating Activities		
Net income	$ 46,659	$ 36,749
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and other amortization	4,168	4,921
Share-based compensation	175	372
Pension and other postretirement benefit plan income	(3,141)	(917)
Loss on disposal of property, plant and equipment	3,267	6
Deferred income taxes	991	2,496
(Increase) decrease in:		
Accounts receivable	(20,488)	(5,315)
Contract assets	11,981	9,625
Inventories	3,199	(710)
Increase (decrease) in:		
Accounts payable	(1,242)	3,756
Contract liabilities	4,315	(3,231)
Compensation and benefits	(173)	(2,640)
Other accrued items	(430)	(1,793)
Other	(153)	1,567
Net cash provided by operating activities	49,128	44,886
Investing Activities		
Additions to property, plant and equipment	(3,497)	(1,185)
Net cash used in investing activities	(3,497)	(1,185)
Financing Activities		
Net transfers to parent	(44,568)	(42,365)
Net cash used in financing activities	(44,568)	(42,365)
Effect of exchange rate changes on cash	584	(96)
Net increase in cash	1,647	1,240
Cash, beginning of period	6,292	5,052
Cash, end of period	$ 7,939	$ 6,292

See accompanying Notes to Combined Financial Statements.

COMBAT PROPULSION SYSTEMS

A BUSINESS OF L3HARRIS TECHNOLOGIES, INC.

COMBINED STATEMENT OF PARENT'S EQUITY

	Net Parent Investment	Accumulated Other Comprehensive Income	Total Parent's Equity
		(In thousands)	
Balance at December 28, 2018	$194,006	$(537)	$193,469
Net income	36,749	—	36,749
Other comprehensive (loss) income	—	(184)	(184)
Net transfers to parent	(42,854)	—	(42,854)
Balance at January 3, 2020	**187,901**	**(721)**	**187,180**
Net income	46,659	—	46,659
Other comprehensive (loss) income	—	970	970
Net transfers to parent	(47,196)	—	(47,196)
Balance at January 1, 2021	**$187,364**	**$ 249**	**$187,613**

See accompanying Notes to Combined Financial Statements.

NOTE 1: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization—Combat Propulsion Systems (or "CPS", the "Business", "We" or "Our") is a carve-out business within the Aviation Systems reportable segment of L3Harris Technologies, Inc. ("L3Harris" or "Parent"), an agile global aerospace and defense technology innovator, delivering end-to-end solutions that meet customers' mission-critical needs. CPS is a market leader in the engineering, design, manufacture and remanufacture of engines, transmissions, suspensions and turret drive systems for tracked and wheeled combat vehicle systems. Our principal operations are based out of Muskegon, Michigan in the United States and we also operate a satellite office in Starnberg, Germany where our Magnet-Motor business is located.

On June 29, 2019, L3Harris Technologies, Inc. (formerly Harris Corporation) completed a merger with L3 Technologies, Inc. (the "L3Harris Merger"). Prior to the L3Harris Merger, CPS was a wholly owned business of L3 Technologies, Inc. ("L3"). Although L3Harris accounted for the L3Harris Merger under the acquisition method of accounting, pushdown accounting was not applied in the accompanying Combined Financial Statements or these Notes. Pushdown accounting has been applied for historical acquisitions of L3 Technologies, Inc. prior to the L3Harris merger.

Description of the Transaction—On March 1, 2021, L3Harris announced that it had reached a definitive agreement with RENK AG (the "Sale Agreement" or the "Transaction") under which RENK AG will acquire CPS for $397.9 million before adjustments in respect to net cash and other items. The Transaction is subject to customary closing conditions, including regulatory approval, and is expected to close in the second half of 2021. In anticipation of the Transaction, the accompanying Combined Financial Statements have been prepared for CPS.

Basis of Presentation—Our Combined Financial Statements and these Notes to Combined Financial Statements (these "Notes") were derived from the consolidated financial statements and accounting records of L3, for the six months ending June 28, 2019, and of L3Harris, for the six months ended January 3, 2020 and fiscal year ended January 1, 2021, as if the Business were operated on a standalone basis during the periods presented, and were prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

The accompanying Combined Financial Statements are not necessarily indicative of the financial position, results of operations or cash flows that would have been achieved if the Business had operated as a separate, standalone entity as of or during any of the periods presented, nor are they indicative of the financial position or results going forward due to the changes in the business.

Our Combined Balance Sheet includes the assets and liabilities of CPS. L3Harris uses a centralized approach to cash management and financing of its operations in various jurisdictions. The cash of CPS's U.S. entity is transferred to a L3Harris corporate bank account daily and L3Harris funds CPS's working capital and capital expenditure requirements as needed. The cash of CPS's U.S. entity transferred to L3Harris has been excluded from these Combined Financial Statements. Although employees of the Business may participate in one or more defined benefit plans sponsored by L3Harris and the Business is allocated a proportionate share of the associated net periodic benefit income, L3Harris is retaining the defined benefit plan obligations and therefore no portion of plan assets or benefit obligations has been allocated to the Business. Net parent investment represents L3Harris's interest in the recorded net assets of CPS. Assets and liabilities for amounts due to or due from CPS and L3Harris are included in the "Net parent investment" line item in our Combined Balance Sheet.

CPS receives services and support from various functions performed by L3Harris and CPS' operations have been dependent upon L3Harris's ability to perform these services and support functions. Shared corporate functions include, but are not limited to, executive and segment oversight, finance, legal, human resources and information technology ("IT"). With the exception of IT costs, the costs of shared corporate and segment functions are primarily allocated based on a three-factor formula that considers the Business' revenue, headcount and fixed assets relative to L3Harris' consolidated revenue, headcount and fixed assets. IT costs have been allocated based on headcount. Where costs have been allocated to the Business, such allocations are considered to represent a reasonable reflection of the utilization of services by, or benefit provided to, CPS, and we believe the accompanying Combined Financial Statements include all costs of doing business.

NOTE 1: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

However, the allocations may not be indicative of the actual expense that would have been incurred had CPS operated as an independent, stand-alone entity. See *Note 14: Related Party Transactions* in these Notes for additional information regarding corporate and segment level costs included in the accompanying Combined Financial Statements.

Use of Estimates—The preparation of financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions that affect the amounts reported in the accompanying Combined Financial Statements and these Notes. These estimates and assumptions are based on experience and other information available prior to issuance of the accompanying Combined Financial Statements and these Notes. Materially different results can occur as circumstances change and additional information becomes known.

Fiscal Year—Our fiscal year ends on the Friday nearest December 31.

Cash—Cash includes amounts in our non-U.S. bank accounts, which are not swept as part of L3Harris' centralized cash pooling program.

Fair Value of Financial Instruments—The carrying amounts reflected in our Combined Balance Sheet for cash, accounts receivable and accounts payable approximate their fair values.

Fair Value Measurements—Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal market (or most advantageous market, in the absence of a principal market) for the asset or liability in an orderly transaction between market participants at the measurement date. Entities are required to maximize the use of observable inputs and minimize the use of unobservable inputs in measuring fair value, and to utilize a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs other than quoted prices included within Level 1, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices that are observable or are derived principally from, or corroborated by, observable market data by correlation or other means.
- Level 3—Unobservable inputs that are supported by little or no market activity, are significant to the fair value of the assets or liabilities, and reflect our own assumptions about the assumptions market participants would use in pricing the asset or liability developed using the best information available in the circumstances.

Accounts Receivable—We record receivables at net realizable value and they generally do not bear interest. In evaluating the allowance for estimated uncollectible accounts to reflect any loss anticipated on the accounts receivable balances, we consider historical write-offs by customer, level of past due accounts and economic status of the customers. A receivable is considered delinquent if it is unpaid after the term of the related invoice has expired. To the extent we have write-offs, those write-offs are recorded at the time a customer receivable is deemed uncollectible. We did not have any write-offs in fiscal 2021 or 2020 and our allowance for estimated uncollectible accounts is $0 as of January 1, 2021 and January 3, 2020.

Contract Assets and Liabilities—The timing of revenue recognition, customer billings and cash collections results in accounts receivable, contract assets and contract liabilities at the end of each reporting period. Contract assets include unbilled amounts typically resulting from revenue recognized exceeding amounts billed to customers for contracts utilizing the percentage of completion ("POC") cost-to-cost revenue recognition method. We bill customers as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals, upon achievement of contractual milestones or upon deliveries and, in certain arrangements, the customer may withhold payment of a small portion of the contract price until contract completion. Contract liabilities include advance payments and billings in excess of revenue recognized, including deferred revenue. Contract assets and liabilities are reported on a contract-by-contract basis at the end of each reporting period. There were no noncurrent contract liabilities.

NOTE 1: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract assets related to amounts withheld by customers until contract completion are not considered a significant financing component of our contracts because the intent is to protect the customers from our failure to satisfactorily complete our performance obligations. Payments received from customers in advance of revenue recognition are not considered a significant financing component of our contracts because they are utilized to pay for contract costs within a one-year period or are requested by us to ensure the customers meet their payment obligations. See *Note 3: Contract Assets and Contract Liabilities* in these Notes for additional information.

Inventories—Inventories are valued at the lower of cost (determined by average and first-in, first-out methods) or net realizable value. We regularly review inventory quantities on hand and record a provision for excess and obsolete inventory primarily based on our estimated forecast of product demand, anticipated end of product life and production requirements. See *Note 4: Inventories* in these Notes for additional information regarding inventories.

Costs to Obtain or Fulfill a Contract—Costs to obtain a contract are incremental direct costs incurred to obtain a contract with a customer and are capitalized if material. Costs to fulfill a contract include costs directly related to a contract or specific anticipated contract (for example, mobilization, set-up and certain design costs) that generate or enhance our ability to satisfy our performance obligations under these contracts. These costs are capitalized to the extent they are expected to be recovered from the associated contract. Capitalized costs to obtain or fulfill a contract are amortized to expense over the expected period of benefit for contracts with terms greater than one year on a systematic basis that is consistent with the pattern of transfer of the associated goods and services to the customer. As a practical expedient, capitalized costs to obtain or fulfill a contract with a term of one year or less are expensed as incurred. We did not have any capitalized costs to obtain or fulfill a contract at January 1, 2021 and January 3, 2020.

Property, Plant and Equipment—Property, plant and equipment are carried on the basis of cost and include software capitalized for internal use. Depreciation of buildings, machinery and equipment is computed by the straight-line method. The estimated useful lives of buildings, including leasehold improvements, generally range between 2 and 45 years. The estimated useful lives of machinery and equipment generally range between 2 and 10 years. Amortization of internal-use software begins when the software is put into service and is based on the expected useful life of the software. The useful lives over which we amortize internal-use software generally range between 3 and 10 years. See *Note 5: Property, Plant and Equipment* in these Notes for additional information regarding property, plant and equipment.

Goodwill—Where pushdown accounting is applied, we follow the acquisition method of accounting to record the assets and liabilities of acquired businesses at their estimated fair value at the date of acquisition. We initially record goodwill for the amount the consideration transferred exceeds the acquisition-date fair value of net identifiable assets acquired.

We test goodwill for impairment at a level within the Business referred to as the reporting unit. We test our goodwill for impairment annually as of the first day of our fourth fiscal quarter, or under certain circumstances, more frequently, such as when events or circumstances indicate there may be impairment. Such events or circumstances may include a significant deterioration in overall economic conditions, changes in the business climate of our industry, a decline in our market capitalization, operating performance indicators, competition, reorganizations of our business or the disposal of all or a portion of a reporting unit.

To test goodwill for impairment, we may perform both qualitative and quantitative assessments. If we elect to perform a qualitative assessment, we evaluate events and circumstances impacting the reporting unit to determine the probability that goodwill is impaired. If we determine it is more likely-than-not that the fair value of the reporting unit is less than its carrying amount, we measure any loss from an impairment by comparing the fair value of the reporting unit to its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, goodwill is considered impaired, and an impairment loss is recognized in an amount equal to that excess. See *Note 6: Goodwill* and Intangibles in these Notes for additional information regarding goodwill.

NOTE 1: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Lived Assets, Including Intangible Assets—Long-lived assets, including finite-lived intangible assets, are amortized to expense over their useful lives either according to the underlying economic benefit as reflected by future net cash inflows or on a straight-line basis depending on the nature of the asset. We assess the recoverability of the carrying value of our long-lived assets, including finite-lived intangible assets, whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. We evaluate the recoverability of such assets based on the expectations of undiscounted cash flows from such assets. If the sum of the expected future undiscounted cash flows were less than the carrying amount of the asset, a loss would be recognized for the difference between the fair value and the carrying amount. We did not have any indefinite-lived intangible assets at January 1, 2021 and January 3, 2020. See *Note 5: Property, Plant and Equipment* and *Note 6: Goodwill and Intangibles* in these Notes for additional information regarding long-lived assets and intangible assets, respectively.

Leases—We recognize right-of-use ("ROU") assets and lease liabilities in our balance sheet for operating leases under which we are the lessee. As a practical expedient, leases with a term of twelve months or less (including reasonably expected extension periods) are expensed as incurred. We did not have any finance leases at January 1, 2021 and January 3, 2020.

Operating lease assets are included in the "Operating lease right-of-use assets" line item in our Combined Balance Sheet. Operating lease liabilities for obligations due within twelve months are included in the "Other accrued items" line item in our Combined Balance Sheet. Operating lease liabilities for obligations due longer than twelve months are included in the "Operating lease liabilities" line item in our Combined Balance Sheet.

ROU assets and lease liabilities are recognized based on the present value of future lease payments. Lease payments include base rent. Our lease payments also include non-lease components such as real estate taxes and common-area maintenance costs. As a practical expedient, we account for lease and non-lease components as a single component. The present value of future lease payments is determined using our incremental borrowing rate at lease commencement over the expected lease term. We use our incremental borrowing rate because our leases do not provide an implicit lease rate. The expected lease term represents the number of years we expect to lease the property, including options to extend or terminate the lease when it is reasonably certain that we will exercise the option.

Operating lease expense is recognized as an operating cost on a straight-line basis over the expected lease term in our Combined Statement of Income.

See *Note 9: Lease Commitments* in these Notes for additional information regarding leases.

Other Assets and Liabilities—No assets within the "Other current assets" or "Other non-current assets" line items in our Combined Balance Sheet exceeded 5 percent of our total current assets or total assets, respectively, at January 1, 2021 or January 3, 2020. No accrued liabilities or expenses within the "Other accrued items" or "Other long-term liabilities" line items in our Combined Balance Sheet exceeded 5 percent of our total current liabilities or total liabilities, respectively, at January 1, 2021 or January 3, 2020.

Income Taxes—The Business follows the asset and liability method of accounting for income taxes. It records the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the Combined Balance Sheet, as well as operating loss and tax credit carryforwards. We follow very specific and detailed guidelines in each tax jurisdiction regarding the recoverability of any tax assets recorded on the balance sheet and provide necessary valuation allowances as required. The Business regularly reviews its deferred tax assets for recoverability based on historical taxable income, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. The Business calculated the provision for income taxes using a "separate return" method. Under this method, the Business assumes it will file separate returns with tax authorities, thereby reporting its taxable income or loss and paying the applicable tax to or receiving the appropriate refund from L3Harris. As a result, the Business's deferred tax balances and effective tax rate as a stand-alone entity will likely differ significantly from those recognized in historical periods. The calculation of income taxes on a separate return basis requires a considerable amount of judgment and use of both estimates and allocations. The tax loss carryforwards and

NOTE 1: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

valuation allowances reflected in the Combined Financial Statements are based on a hypothetical stand-alone income tax return basis and may not exist in the L3Harris consolidated financial statements. See *Note 11: Income Taxes* in these Notes. .

The evaluation of tax positions taken in a filed tax return or planned to be taken in a future tax return or claim, involves inherent uncertainty and requires the use of judgment. We evaluate our income tax positions and record tax benefits for all years subject to examination based on our assessment of the facts and circumstances as of the reporting date. For tax positions where it is more likely than not that a tax benefit will be realized, we record the largest amount of tax benefit with a greater than 50 percent probability of being realized upon ultimate settlement with the applicable taxing authority, assuming the taxing authority has full knowledge of all relevant information. For income tax positions where it is not more likely than not that a tax benefit will be realized, we do not recognize a tax benefit in the Combined Financial Statements. Any accrued interest and penalties related to uncertain tax positions is included in the financial statements as a component of income tax expense.

Standard Warranties—We record estimated standard warranty costs in the period in which the related products are delivered. Factors that affect the estimated cost for warranties include the terms of the contract, the type and complexity of the delivered product, number of installed units, historical experience and management's assumptions regarding anticipated rates of warranty claims and cost per claim. Our standard warranties start from the shipment, delivery or customer acceptance date and typically range from one to two years.

Because our products are manufactured, in many cases, to customer specifications and their acceptance is based on meeting those specifications, we historically have experienced minimal warranty costs. Factors that affect our warranty liability include the number of installed units, historical experience, anticipated delays in delivery of products to end customers, in-country support for international sales and our assumptions regarding anticipated rates of warranty claims and cost per claim. We assess the adequacy of our recorded warranty liabilities every quarter and make adjustments to the liability as necessary.

Foreign Currency Translation—The functional currency for our Magnet-Motor business is the Euro, which is also the local currency. Assets and liabilities are translated at current rates of exchange and income and expense items are translated at the weighted average exchange rate for the year. The resulting translation adjustments are recorded as a separate component of equity.

Stock Options and Other Share-Based Compensation—Certain employees of the Business participate in share-based compensation plans of L3Harris. We measure compensation cost for all share-based payments (including employee stock options) at fair value and recognize cost over the vesting period, with forfeitures recognized as they occur. See *Note 14*: *Related Parties* in these Notes for additional information regarding share-based compensation.

Revenue Recognition—We account for a contract when it has approval and commitment from all parties, the rights and payment terms of the parties can be identified, the contract has commercial substance and the collectability of the consideration, or transaction price, is probable. Our contracts are often subsequently modified to include changes in specifications, requirements or price that may create new or change existing enforceable rights and obligations. We do not account for contract modifications (including unexercised options) or follow-on contracts until they meet the requirements noted above to account for a contract.

At the inception of each contract, we evaluate the promised goods and services to determine whether the contract should be accounted for as having one or more performance obligations. A performance obligation is a promise to transfer a distinct good or service to a customer and represents the unit of accounting for revenue recognition. A substantial majority of our revenue is derived from long-term development and production contracts involving the design, development, manufacture or modification of engines and/or transmissions for military combat vehicles and spare parts according to customer's specifications. Due to the highly interdependent and interrelated nature of the engine and transmission systems which often result in the delivery of multiple units, we account for these contracts as one performance obligation. For contracts that include both development/production of engines or transmissions and the provision of spare parts, we

NOTE 1: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

generally consider the spare parts distinct in the context of the contract and account for them as separate performance obligations. Contracts to manufacture engines and transmissions often result in the delivery of distinct units in a series that are substantially the same. We account for each series of engines or transmissions that are substantially the same as a single performance obligation. We recognize revenue on our engine and transmission contracts using the percentage of completion ("POC") revenue recognition method as there is no alternative use for the engines, transmissions and spare parts and our contracts include progress payment provisions that provide for the right to bill for cost and profit for work performed to date. A portion of our revenue is derived from the provision of technical support services. Orders for technical support services are typically considered a separate contract. Revenue for technical support services is recognized using the POC cost-to-cost revenue recognition method. Shipping and handling costs incurred after control of a product has transferred to the customer (for example, in free on board shipping arrangements) are treated as fulfillment costs and, therefore, are not accounted for as separate performance obligations. Also, we record taxes collected from customers and remitted to governmental authorities on a net basis in that they are excluded from revenue.

As noted above, our contracts are occasionally modified to include changes in specifications, requirements or price. Depending on the nature of the modification, we consider whether to account for the modification as an adjustment to the existing contract or as a separate contract. Often, given each deliverable within the original contract is distinct, when a customer orders additional similar deliverables, the additional deliverables in our contract modifications are distinct and accounted for as a separate contract.

We determine the transaction price for each contract based on our best estimate of the consideration we expect to receive, which in limited cases includes assumptions regarding variable consideration, such consideration for cost-reimbursable technical support service contracts. We include such estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. We estimate variable consideration primarily using the most likely amount method.

For contracts with multiple performance obligations, we allocate the transaction price to each performance obligation based on the relative standalone selling price of the good or service underlying each performance obligation. The standalone selling price represents the amount for which we would sell the good or service to a customer on a standalone basis (i.e., not sold as a bundle with any other products or services). Our contracts with the U.S. Government, including foreign military sales contracts, are subject to the Federal Acquisition Regulations ("FAR") and the prices of our contract deliverables are typically based on our estimated or actual costs plus a reasonable profit margin. As a result, the standalone selling prices of the goods and services in these contracts are typically equal to the selling prices stated in the contract, thereby, eliminating the need to allocate (or reallocate) the transaction price to the multiple performance obligations. In our non-U.S. Government contracts, we also generally use the expected cost plus a reasonable profit margin approach to determine standalone selling price. In addition, we determine standalone selling price for certain contracts that are commercial in nature based on observable selling prices.

We recognize revenue for each performance obligation when (or as) the performance obligation is satisfied by transferring control of the promised goods or services underlying the performance obligation to the customer. The transfer of control for substantially all of our revenues occurs over time.

Over Time Revenue Recognition: For U.S. Government development and production contracts, there is a continuous transfer of control of the asset to the customer as it is being produced based on FAR clauses in the contract that provide the customer with lien rights to work in process and allow the customer to unilaterally terminate the contract for convenience, pay us for costs incurred plus a reasonable profit and take control of any work in process. This also typically applies to our contracts with prime contractors for U.S. Government development and production contracts, when the above-described FAR clauses are flowed down to us by the prime contractors.

Our non-U.S. Government development and production contracts often do not include the FAR clauses described above. However, over time revenue recognition is typically supported either through our performance creating or enhancing an asset that the customer controls as it is created or enhanced or based

NOTE 1: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

on other contractual provisions or relevant laws that provide us with an enforceable right to payment for our work performed to date plus a reasonable profit if our customer were permitted to and did terminate the contract for reasons other than our failure to perform as promised. Over time revenue recognition for our non-U.S. Government services contracts are typically supported by the customer consuming the benefits from the services as we perform them.

Revenue for our development and production contracts is recognized over time, typically using the series guidance where deliverables are substantially the same and represent a performance obligation satisfied over time.

For performance obligations to provide services that are satisfied over time, we recognize revenue using the POC cost-to-cost method.

Contract Estimates: Under the POC cost-to-cost method of revenue recognition, a single estimated profit margin is used to recognize profit for each performance obligation over its period of performance. Recognition of profit on a contract requires estimates of the total cost at completion and transaction price and the measurement of progress towards completion. Due to the long-term nature of some of our contracts, developing the estimated total cost at completion and total transaction price often requires judgment. Factors that must be considered in estimating the cost of the work to be completed include the nature and complexity of the work to be performed, subcontractor performance and the risk and impact of delayed performance. Factors that must be considered in estimating the total transaction price include contractual cost as well as our historical experience and our expectation for performance on the contract. At the outset of each contract, we gauge its complexity and perceived risks and establish an estimated total cost at completion in line with these expectations. After establishing the estimated total cost at completion, we follow a standard Estimate at Completion ("EAC") process in which we review the progress and performance on our ongoing contracts at least quarterly and, in many cases, more frequently. If we successfully retire risks associated with the technical, schedule and cost aspects of a contract, we may lower our estimated total cost at completion commensurate with the retirement of these risks. Conversely, if we are not successful in retiring these risks, we may increase our estimated total cost at completion. Additionally, as the contract progresses, our estimates of total transaction price may increase or decrease if, for example, we receive award fees that are higher or lower than expected. When adjustments in estimated total costs at completion or in estimated total transaction price are determined, the related impact on operating income is recognized using the cumulative catch-up method, which recognizes in the current period the cumulative effect of such adjustments for all prior periods. Any anticipated losses on these contracts are fully recognized in the period in which the losses become evident.

Net EAC adjustments had the following impact to earnings for the periods presented (in thousands):

	2020	2019
Net EAC adjustments, before income taxes	$28,378	$23,948
Net EAC adjustments, net of income taxes	$21,057	$18,728

Revenue recognized from performance obligations satisfied in prior periods was $29,135 and $21,729 in fiscal 2020 and 2019, respectively.

Backlog: Backlog, which is the equivalent of our remaining performance obligations, represents the future revenue we expect to recognize as we perform on our current contracts. Backlog comprises both funded backlog (i.e., firm orders for which funding is authorized and appropriated) and unfunded backlog. Backlog excludes unexercised contract options and potential orders under ordering-type contracts, such as indefinite delivery, indefinite quantity ("IDIQ") contracts.

Disaggregation of Revenue: We disaggregate revenue by customer relationship, contract type and geographical region. We believe these categories best depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

NOTE 1: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

	2020	2019
	(In thousands)	
Revenue By Customer Relationship		
Prime contractor	$146,215	$108,326
Subcontractor	90,218	74,390
	$236,433	$182,716
Revenue By Contract Type		
Fixed-price	$221,963	$164,704
Cost-reimbursable	14,470	18,012
	$236,433	$182,716
Revenue By Geographical Region		
United States	$207,979	$135,317
International	28,454	47,399
	$236,433	$182,716

Financial Guarantees and Commercial Commitments—Financial guarantees are contingent commitments issued to guarantee the performance of a customer to a third party in borrowing arrangements, such as commercial paper issuances, bond financings and similar transactions. As of January 1, 2021, we did not have material financial guarantees and there were no such contingent commitments accrued for in our Combined Balance Sheet.

We have entered into commercial commitments in the normal course of business including surety bonds, standby letter of credit agreements and other arrangements with financial institutions and customers primarily relating to the guarantee of future performance on certain contracts to provide products and services to customers and to obtain insurance policies with our insurance carriers.

NOTE 2: ACCOUNTING CHANGES OR RECENT ACCOUNTING PRONOUNCEMENTS

Adoption of New Accounting Standards

Effective January 3, 2020, we adopted Accounting Standards Update 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* on a modified retrospective basis. The new standard replaces the existing impairment model, under which impairment of financial instruments, including accounts receivable and contract assets, is recognized when it becomes probable a loss has been incurred, with a model that requires recognition of expected credit losses over the estimated life of an asset at inception and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Due to the low historical loss rates associated with our customer base and lack of expected credit losses on our existing receivables and contract assets, adopting this standard did not have an impact on our financial position, results of operations, cash flows or equity.

NOTE 3: CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets and contract liabilities are summarized below (in thousands):

	January 1, 2021	January 3, 2020
Contract assets	$39,523	$51,317
Contract liabilities, current	(5,782)	(1,454)
Net contract assets	$33,741	$49,863

Our contract assets are composed of unbilled contract receivables at the end of fiscal 2020 and 2019, respectively. There were no impairment losses related to our contract assets in fiscal 2020 or fiscal 2019. In

NOTE 3: CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

fiscal 2020 and 2019, we recognized $1,139 and $3,277 of revenue related to contract liabilities that were outstanding at the end of fiscal 2019 and 2018, respectively.

NOTE 4: INVENTORIES

Inventories are summarized below (in thousands):

	January 1, 2021	January 3, 2020
Work in process	$ 137	$2,589
Raw materials and supplies	5,454	6,083
	$5,591	$8,672

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized below (in thousands):

	January 1, 2021	January 3, 2020
Land	$ 1,967	$ 1,967
Software capitalized for internal use	2,351	2,243
Buildings	16,557	16,472
Machinery and equipment	53,347	57,005
	74,222	77,687
Less accumulated depreciation and amortization	(50,404)	(50,842)
	$ 23,818	$ 26,845

Depreciation and amortization expense related to property, plant and equipment was $3,953 and $4,640 in fiscal 2020 and 2019, respectively.

In fiscal 2020, we disposed of an abandoned Destroyer asset with a net book value of $3,253.

NOTE 6: GOODWILL AND INTANGIBLE ASSETS

The carrying amount of Goodwill is as follows (in thousands):

Goodwill, gross as of December 28, 2018	$135,975
Accumulated impairment losses as of December 28, 2018	(8,427)
As of December 28, 2018	127,548
As of January 3, 2020	127,548
As of January 1, 2021	$127,548

Intangible assets separately recognized from our business combinations are solely composed of customer relationships. The fair value for customer relationships is determined, as of the date of acquisition, based on estimates and judgments regarding expectations for the estimated future after-tax earnings and cash flows arising from the follow-on sales expected from the customer relationships over the estimated lives, including the probability of expected future contract renewals and sales, less a contributory assets charge, all of which is discounted to present value. We assess the recoverability of the carrying value of our customer relationships whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. Our customer relationships are summarized below:

NOTE 6: GOODWILL AND INTANGIBLE ASSETS (Continued)

January 1, 2021			January 3, 2020		
(In thousands)					
Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
$15,491	$(14,977)	$514	$15,491	$(14,762)	$729

Amortization expense related to customer relationships was $215 and $281 in fiscal 2020 and 2019, respectively.

Future estimated amortization expense for customer relationships is as follows:

	(In thousands)
2021	$164
2022	126
2023	96
2024	74
2025	54
Thereafter	—
Total	$514

NOTE 7: PENSION AND OTHER POSTRETIREMENT BENEFITS

Multi-employer Benefit Plans

Certain of our employees are covered under defined benefit plans legally sponsored by L3Harris. The Business is allocated its relevant share of the net periodic pension costs or income for the L3Harris employee benefit plans by L3Harris. As such, the Business has not recorded any liabilities nor plan assets associated with our participation in these multi-employer plans in our Combined Balance Sheet as of January 1, 2021 or January 3, 2020. Net periodic benefit income allocated to the Business related to our multi-employer plans was $3,141 and $917 for fiscal 2020 and 2019, respectively, and is composed of the components summarized below (in thousands):

	Fiscal Years Ended	
	2020	2019
Service cost	$ 1,036	$ 887
Interest cost	2,637	3,115
Expected return on plan assets	(6,350)	(5,260)
Amortization of net actuarial loss and prior service cost	(464)	341
Total net periodic benefit income	$(3,141)	$ (917)

Service cost is included within the “Cost of product sales and services” line item in our Combined Statement of Income and the remaining components of net periodic benefit income are included within the ‘Non-operating income” line item in our Combined Statement of Income.

Defined Contribution Plan

Certain of our employees participate in defined contribution plans sponsored by L3Harris. Our costs related to L3Harris’ matching contributions under the defined contribution plans were $1,184 and $1,079 for fiscal 2020 and 2019, respectively.

NOTE 8: RESEARCH AND DEVELOPMENT

Business-sponsored research and development ("R&D") costs are expensed as incurred and are included in the "Engineering, selling and administrative expenses" line item in our Combined Statement of Income. These costs were $7,935 and $5,444 for fiscal 2020 and 2019 respectively. Customer-sponsored R&D costs are incurred pursuant to contractual arrangements, principally U.S. Government-sponsored contracts requiring us to provide a product or service meeting certain defined performance or other specifications (such as designs), and are accounted for principally by the POC cost-to-cost revenue recognition method. Customer-sponsored R&D is included in our revenue and cost of product sales and services.

NOTE 9: LEASE COMMITMENTS

We had one operating lease at January 1, 2021 and January 3, 2020 with a lease term in excess of twelve months related to a satellite office and manufacturing facility we operate in Starnberg, Germany. We also had operating leases for automobiles and other equipment used in our offices and manufacturing facilities with non-cancellable lease terms of less than twelve months which are not included in our Operating lease ROU assets or Operating lease liabilities and are expensed as incurred. We had no finance leases at January 1, 2021 or January 3, 2020.

Our lease cost was as follows (in thousands):

	Fiscal Years Ended	
	2020	2019
Operating lease cost for our Starnberg site	$361	$333
Short-term and variable lease cost	281	124
Total lease cost	$642	$457

Supplemental operating lease balance sheet information for our Starnberg site at January 1, 2021 and January 3, 2020 is as follows (in thousands):

	January 1, 2021	January 3, 2020
Operating lease ROU assets	$2,972	$2,995
Other accrued items	300	269
Operating lease liabilities	2,672	2,726
Total operating lease	$2,972	$2,995

Other supplemental lease information for fiscal 2020 and 2019 is as follows (in thousands except lease term and discount rate):

	Fiscal Years Ended	
	2020	2019
ROU assets obtained in exchange for new operating lease liabilities	$ —	$2,995
Weighted average remaining lease term—operating leases (in years)	9	10
Weighted average discount rate—operating leases	2.37%	2.37%

Cash paid for amounts included in the measurement of operating lease liabilities approximates the operating lease cost for our Starnberg site and is included in our operating cash flows. Future lease payments for our non-cancelable operating lease for our Starnberg site at January 1, 2021 was as follows (in thousands):

	January 1, 2021
Fiscal Years	
2021	$ 366
2022	366
2023	366

NOTE 9: LEASE COMMITMENTS (Continued)

	January 1, 2021
2024	366
2025	366
Thereafter	1,465
Total future lease payments required	3,295
Less: imputed interest	(323)
Total	$2,972

These commitments do not contain any rent escalations, rent holidays, contingent rent, rent concessions, leasehold improvement incentives or unusual provisions or conditions.

At January 1, 2021, we had no additional operating lease commitments for real estate leases that have not yet commenced.

NOTE 10: ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) ("AOCI")

The changes in AOCI are included below (in thousands):

	Total AOCI
Balance at December 28, 2018	**$(537)**
Foreign currency translation gain (loss), net of income taxes	(184)
Balance at January 3, 2020	**(721)**
Foreign currency translation gain (loss), net of income taxes	970
Balance at January 1, 2021	**$ 249**

NOTE 11: INCOME TAXES

Income Tax Provision

The provisions for current and deferred income taxes are summarized as follows (in thousands):

	Fiscal Years Ended	
(In millions)	January 1, 2021	January 3, 2020
Current:		
United States	$11,819	$ 6,033
International	55	319
State and Local	3,277	1,399
	15,151	7,751
Deferred:		
United States	(344)	1,971
International	182	(79)
State and Local	1,229	605
	1,067	2,497
Total Income Tax Expense	**$16,218**	**$10,248**

The Business's current provision is the amount of tax payable or refundable on the basis of a hypothetical, current-year separate return. The Business does not make cash tax payments directly to taxing jurisdictions; rather, any federal, international, or state income tax payables or receivables are included in Net Parent Investment.

NOTE 11: INCOME TAXES (Continued)

A reconciliation of the U.S. statutory income tax rate to our effective income tax rate follows (in thousands):

	Fiscal Years Ended	
	January 1, 2021	January 3, 2020
U.S. statutory income tax rate	21.0%	21.0%
State taxes	5.7	3.4
Valuation allowance	(0.3)	(1.9)
Other items	(0.6)	(0.7)
Effective income tax rate	25.8%	21.8%

Deferred Income Tax Assets (Liabilities)

The components of deferred income tax assets (liabilities) were as follows (in thousands):

	January 1, 2021	January 3, 2020
Deferred tax assets	$ 9,585	$ 9,960
Valuation allowance	(5,003)	(4,783)
Deferred tax assets, net	4,582	5,177
Deferred tax liabilities	(29,441)	(29,290)
Net deferred tax assets (liabilities)	$(24,859)	$(24,113)

Net deferred tax assets (liabilities) were classified as follows in our Combined Balance Sheet (in thousands):

	January 1, 2021	January 3, 2020
Non-current deferred income tax assets	$ 2,787	$ 2,748
Non-current deferred income tax liabilities	(27,646)	(26,861)
	$(24,859)	$(24,113)

Deferred income taxes reflect the net tax effects of temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases (principally relating to tax deductible goodwill and net operating losses).

The tax-effected amount of the German net operating loss carryforwards at January 1, 2021 and January 3, 2020 are $7,791 and $7,532, respectively, and do not expire. Of the total $7,791 German net operating losses, $5,688 represent hypothetical net operating losses generated during tax return periods where Magnet-Motor filed as part of a German Organschaft tax return filing group. These losses were fully utilized to offset taxable income generated by the remaining entities within the German Organschaft group. However, under a separate tax return methodology, the $5,688 of net operating losses are deemed “hypothetical” losses of Magnet-Motor for purposes of these financial statements.

With respect to the remaining $2,103 net operating losses of Magnet-Motor, such losses were generated during tax years where Magnet-Motor filed German corporate tax returns as a stand-alone entity, and prior to joining the German Organschaft tax return group mentioned above. Under German tax law, these losses are not available for utilization in periods where Magnet-Motor was included in the German Organschaft tax return filing group. However, the $2,103 of tax-effected net operating losses are retained by Magnet-Motor and could be available for utilization at a time when Magnet-Motor ceases to be included as part of an Organschaft tax filing group or, in the case of Magnet-Motor being acquired, via stock acquisition, the net operating losses may inure to “Acquiror” entity but be potentially subject to further limitations under German tax law.

At January 1, 2021 and January 3, 2020, the Business evaluated all significant available positive and negative evidence as a stand-alone entity, including the results of recent years and management’s forecast of future

NOTE 11: INCOME TAXES (Continued)

taxable income, and determined it was more likely than not that certain German net operating loss carryforwards computed on a separate return basis, would not be realized. As a result, the Business has established valuation allowances of approximately $5,003 and $4,783 as of January 1, 2021 and January 3, 2020, respectively. These balances are inclusive of full valuation allowances against net operating losses generated prior to Magnet-Motor joining the German Organschaft tax return group.

Tax Uncertainties

As a separate taxpayer under a separate return method, the Business would be deemed to file a US federal, several US state, and German federal and local tax returns. Pursuant to these hypothetical filings, uncertain tax benefits are recorded based on largest amount of tax benefit with a greater than 50 percent probability of being realized upon ultimate settlement with the applicable taxing authority, assuming the taxing authority has full knowledge of all relevant information. The Business's operating results and related tax positions are a component of either a legal entity and/or a larger group of entities that file tax returns. The Business is not considered to be the primary obligor for uncertain tax benefits taken. Therefore, unrecognized tax benefits for uncertain tax positions taken for the years ended January 1, 2021 and January 3, 2020 are reflected in the provision but are deemed to have been assumed by L3Harris and not reflected in the Business's ending balance sheets for the periods reported.

As of January 1, 2021, there is no accrued interest or penalties recorded in the financial statements related to unrecognized tax benefits.

NOTE 12: BACKLOG

Backlog, which is the equivalent of our remaining performance obligations, represents the future revenue we expect to recognize as we perform on our current contracts. Backlog comprises both funded backlog (i.e., firm orders for which funding is authorized and appropriated) and unfunded backlog. Backlog excludes unexercised contract options and potential orders under ordering-type contracts, such as indefinite delivery, indefinite quantity contracts.

At January 1, 2021, our ending backlog was $392,378. We expect to recognize approximately 66 percent of the revenue associated with this backlog by the end of 2021 and substantially all of the remaining revenue associated with this backlog by the end of 2023. At January 3, 2020, our ending backlog was $279,567, at which time we expected to recognize approximately 69 percent of the revenue associated with this backlog within 2020 and substantially all of the remaining revenue associated with this backlog by the end of 2022.

NOTE 13: LEGAL PROCEEDINGS AND CONTINGENCIES

From time to time, as a normal incident of the nature and kind of businesses in which we are or were engaged, various claims or charges are asserted and litigation or arbitration is commenced by or against us arising from or related to matters, including but not limited to: product liability; personal injury; patents, trademarks, trade secrets or other intellectual property; labor and employee disputes; commercial or contractual disputes; strategic acquisitions or divestitures; the prior sale or use of former products allegedly containing asbestos or other restricted materials; breach of warranty; or environmental matters. Claimed amounts against us may be substantial, but may not bear any reasonable relationship to the merits of the claim or the extent of any real risk of court or arbitral awards. We record accruals for losses related to those matters against us that we consider to be probable and that can be reasonably estimated. Gain contingencies, if any, are recognized when they are realized and legal costs generally are expensed when incurred. At January 1, 2021, our accrual for the potential resolution of lawsuits, claims or proceedings that we consider probable of being decided unfavorably to us was not material. Although it is not feasible to predict the outcome of these matters with certainty, it is reasonably possible that some lawsuits, claims or proceedings may be disposed of or decided unfavorably to us and in excess of the amounts currently accrued. Based on available information, in the opinion of management, settlements, arbitration awards and final judgments, if any, which are considered probable of being rendered against us in litigation or arbitration in existence at January 1, 2021 are reserved against or would not have a material adverse effect on our financial position, results of operations or cash flows.

NOTE 14: RELATED PARTY TRANSACTIONS

Allocation of Corporate Expenses

The Combined Statement of Income includes L3 and L3Harris corporate and segment expenses directly attributed or otherwise allocable to the Business through the application of government cost accounting practices or other reasonable means totaling \$8,230 and \$6,775 for fiscal 2020 and 2019, respectively. Amounts are exclusive of share-based compensation, disclosed below, and multiemployer benefit plan cost (income), disclosed separately in *Note 7: Pensions*.

Related Party Revenues and Cost of Revenues

Related party sales from CPS to L3Harris and its non-CPS affiliates were \$475 for fiscal 2020 and are recorded in the "Revenues from product sales and services" line item in our Combined Statement of Income. There were no related party sales from CPS to L3Harris and its non-CPS affiliates in fiscal 2019. Purchases from L3Harris and its non-CPS affiliates were \$7,366 and \$2,909 for fiscal 2020 and 2019, respectively.

Amounts due to or due from L3Harris are expected to be settled in advance of the close of the Transaction and will not be conveyed. Accordingly, amounts due to or due from L3Harris have been included as part of the "Net parent investment" line item in our accompanying Combined Balance Sheet.

Share-Based Compensation

Certain employees of the Business participate in share-based compensation plans of L3Harris and the Business is allocated the direct cost of such plans. Share-based compensation expense recognized in the Combined Statement of Income was \$175 and \$372 for fiscal 2020 and 2019, respectively. The Combined Balance Sheet does not include any equity issued related to share-based compensation plans of L3Harris.

NOTE 15: SUBSEQUENT EVENTS

The Business evaluated its subsequent events through May 28, 2021, which is the date the accompanying combined financial statements were issued. No material subsequent events were identified.

COMBAT PROPULSION SYSTEMS

A BUSINESS OF L3HARRIS TECHNOLOGIES, INC.

Combined Financial Statements

As of April 2, 2021 and January 1, 2021 and for each of the Fiscal Quarters Ended April 2, 2021 and April 3, 2020

(Unaudited)

INDEX TO COMBINED UNAUDITED FINANCIAL STATEMENTS

COMBAT PROPULSION SYSTEMS
A BUSINESS OF L3HARRIS TECHNOLOGIES, INC.
COMBINED STATEMENT OF INCOME
(UNAUDITED)

	Fiscal Quarters Ended	
	April 2, 2021	April 3, 2020
	(In thousands)	
Revenue from product sales and services	$71,369	$53,359
Cost of product sales and services	42,972	31,753
Engineering, selling and administrative expenses	7,203	7,124
Non-operating income	1,235	1,070
Income before income taxes	22,429	15,552
Income taxes	5,422	3,624
Net income	$17,007	$11,928

See accompanying Notes to Combined Financial Statements.

COMBAT PROPULSION SYSTEMS
A BUSINESS OF L3HARRIS TECHNOLOGIES, INC.
COMBINED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)

	Fiscal Quarters Ended	
	April 2, 2021	April 3, 2020
	(In thousands)	
Net income	$17,007	$11,928
Other comprehensive (loss) income:		
Foreign currency translation loss, net of income taxes	(329)	(162)
Total comprehensive income	$16,678	$11,766

See accompanying Notes to Combined Financial Statements.

COMBAT PROPULSION SYSTEMS
A BUSINESS OF L3HARRIS TECHNOLOGIES, INC.
COMBINED BALANCE SHEET
(UNAUDITED)

	Fiscal Quarters Ended	
	April 2, 2021	January 1, 2021
	(In thousands)	
Assets		
Current Assets		
Cash	$ 7,320	$ 7,939
Receivables	11,669	33,767
Contract assets	46,972	39,523
Inventories	5,483	5,591
Other current assets	946	289
Total current assets	72,390	87,109
Non-current Assets		
Property, plant and equipment	23,072	23,818
Operating lease right-of-use assets	2,792	2,972
Goodwill	127,548	127,548
Other intangible assets	473	514
Deferred income taxes	2,685	2,787
Total non-current assets	156,570	157,639
	$228,960	$244,748
Liabilities and Equity		
Current Liabilities		
Accounts payable	$ 16,427	$ 16,539
Contract liabilities	4,373	5,782
Compensation and benefits	2,155	3,218
Other accrued items	913	875
Total current liabilities	23,868	26,414
Non-current Liabilities		
Operating lease liabilities	2,501	2,672
Deferred income taxes	27,574	27,646
Other long-term liabilities	388	403
Total non-current liabilities	30,463	30,721
Parent's Equity		
Net parent investment	174,709	187,364
Accumulated other comprehensive income (loss)	(80)	249
Total parent's equity	174,629	187,613
	$228,960	$244,748

See accompanying Notes to Combined Financial Statements.

COMBAT PROPULSION SYSTEMS
A BUSINESS OF L3HARRIS TECHNOLOGIES, INC.
COMBINED STATEMENT OF CASH FLOWS
(UNAUDITED)

	Fiscal Quarters Ended	
	April 2, 2021	April 3, 2020
	(In thousands)	
Operating Activities		
Net income	$ 17,007	$11,928
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and other amortization	813	1,098
Share-based compensation	50	41
Pension and other postretirement benefit plan income	(944)	(785)
Loss on disposal of property, plant and equipment	—	15
Deferred income taxes	(73)	(83)
(Increase) decrease in:		
Accounts receivable	22,031	(1,059)
Contract assets	(7,453)	1,640
Inventories	108	1,764
Increase (decrease) in:		
Accounts payable	(108)	(6,080)
Contract liabilities	(1,377)	(627)
Compensation and benefits	(1,032)	(1,100)
Other accrued items	58	(125)
Other	(689)	(298)
Net cash provided by operating activities	28,391	6,329
Investing Activities		
Additions to property, plant and equipment	(126)	(23)
Net cash used in investing activities	(126)	(23)
Financing Activities		
Net transfers to parent	(28,599)	(4,978)
Net cash used in financing activities	(28,599)	(4,978)
Effect of exchange rate changes on cash	(285)	(75)
Net increase (decrease) in cash	(619)	1,253
Cash, beginning of year	7,939	6,292
Cash, end of quarter	$ 7,320	$ 7,545

See accompanying Notes to Combined Financial Statements.

COMBAT PROPULSION SYSTEMS
A BUSINESS OF L3HARRIS TECHNOLOGIES, INC.
COMBINED STATEMENT OF PARENT'S EQUITY
(UNAUDITED)

	Net Parent Investment	Accumulated Other Comprehensive Income	Total Parent's Equity
		(In thousands)	
Balance at January 1, 2021	**$187,364**	**$ 249**	**$187,613**
Net income	17,007	—	17,007
Other comprehensive (loss) income	—	(329)	(329)
Net transfers to parent	(29,662)	—	(29,662)
Balance at April 2, 2021	**174,709**	**(80)**	**174,629**
Balance at January 3, 2020	**187,901**	**(721)**	**187,180**
Net income	11,928	—	11,928
Other comprehensive (loss) income	—	(162)	(162)
Net transfers to parent	(5,768)	—	(5,768)
Balance at April 3, 2020	**$194,061**	**$(883)**	**$193,178**

See accompanying Notes to Combined Financial Statements.

COMBAT PROPULSION SYSTEMS
A BUSINESS OF L3HARRIS TECHNOLOGIES, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
(Dollars in thousands, unless otherwise noted)

NOTE A: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization—Combat Propulsion Systems (or "CPS", the "Business", "We" or "Our") is a carve-out business within the Aviation Systems reportable segment of L3Harris Technologies, Inc. ("L3Harris" or "Parent"), an agile global aerospace and defense technology innovator, delivering end-to-end solutions that meet customers' mission-critical needs. CPS is a market leader in the engineering, design, manufacture and remanufacture of engines, transmissions, suspensions and turret drive systems for tracked and wheeled combat vehicle systems. Our principal operations are based out of Muskegon, Michigan in the United States and we also operate a satellite office in Starnberg, Germany where our Magnet-Motor business is located.

On June 29, 2019, L3Harris Technologies, Inc. (formerly Harris Corporation) completed a merger with L3 Technologies, Inc. (the "L3Harris Merger"). Prior to the L3Harris Merger, CPS was a wholly owned business of L3 Technologies, Inc. ("L3"). Although L3Harris accounted for the L3Harris Merger under the acquisition method of accounting, pushdown accounting was not applied in the accompanying Combined Financial Statements or these Notes. Pushdown accounting has been applied for historical acquisitions of L3 Technologies, Inc prior to the L3Harris merger.

Description of the Transaction—On March 1, 2021, L3Harris announced that it had reached a definitive agreement with RENK AG (the "Sale Agreement" or the "Transaction") under which RENK AG will acquire CPS for $397.9 million before adjustments in respect to net cash and other items. The Transaction is subject to customary closing conditions, including regulatory approval, and is expected to close in the second half of 2021. In anticipation of the Transaction, the accompanying Combined Financial Statements have been prepared for CPS.

Basis of Presentation—Our Combined Financial Statements and these Notes to Combined Financial Statements (these "Notes") were derived from the consolidated financial statements and accounting records of L3Harris as if the Business were operated on a standalone basis during the periods presented, and were prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

The accompanying Combined Financial Statements are not necessarily indicative of the financial position, results of operations or cash flows that would have been achieved if the Business had operated as a separate, standalone entity as of or during any of the periods presented, nor are they indicative of the financial position or results going forward due to the changes in the business.

Our Combined Balance Sheet includes the assets and liabilities of CPS. L3Harris uses a centralized approach to cash management and financing of its operations in various jurisdictions. The cash of CPS's U.S. entity is transferred to a L3Harris corporate bank account daily and L3Harris funds CPS's working capital and capital expenditure requirements as needed. The cash of CPS's U.S. entity transferred to L3Harris has been excluded from these Combined Financial Statements. Although employees of the Business may participate in one or more defined benefit plans sponsored by L3Harris and the Business is allocated a proportionate share of the associated net periodic benefit income, L3Harris is retaining the defined benefit plan obligations and therefore no portion of plan assets or benefit obligations has been allocated to the Business. Net parent investment represents L3Harris's interest in the recorded net assets of CPS. Assets and liabilities for amounts due to or due from CPS and L3Harris are included in the "Net parent investment" line item in our Combined Balance Sheet.

CPS receives services and support from various functions performed by L3Harris and CPS' operations have been dependent upon L3Harris's ability to perform these services and support functions. Shared corporate functions include, but are not limited to, executive and segment oversight, finance, legal, human resources and information technology ("IT"). With the exception of IT costs, the costs of shared corporate and segment functions are primarily allocated based on a three-factor formula that considers the Business' revenue, headcount and fixed assets relative to L3Harris' consolidated revenue, headcount and fixed assets. IT costs have been allocated based on headcount.

Where costs have been allocated to the Business, such allocations are considered to represent a reasonable reflection of the utilization of services by, or benefit provided to, CPS, and we believe the accompanying Combined Financial Statements include all costs of doing business. However, the allocations may not be indicative of the actual expense that would have been incurred had CPS operated as an independent,

NOTE A: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

stand-alone entity. See *Note K: Related Party Transactions* in these Notes for additional information regarding corporate and segment level costs included in the accompanying Combined Financial Statements.

Use of Estimates—The preparation of financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions that affect the amounts reported in the accompanying Combined Financial Statements and these Notes. These estimates and assumptions are based on experience and other information available prior to issuance of the accompanying Combined Financial Statements and these Notes. Materially different results can occur as circumstances change and additional information becomes known.

Fiscal Year—Our fiscal year and first fiscal quarter ends on the Friday nearest December 31 and March 31, respectively.

Cash—Cash includes amounts in our non-U.S. bank accounts, which are not swept as part of L3Harris' centralized cash pooling program.

Fair Value of Financial Instruments—The carrying amounts reflected in our Combined Balance Sheet for cash, accounts receivable and accounts payable approximate their fair values.

Fair Value Measurements—Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal market (or most advantageous market, in the absence of a principal market) for the asset or liability in an orderly transaction between market participants at the measurement date. Entities are required to maximize the use of observable inputs and minimize the use of unobservable inputs in measuring fair value, and to utilize a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs other than quoted prices included within Level 1, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices that are observable or are derived principally from, or corroborated by, observable market data by correlation or other means.
- Level 3—Unobservable inputs that are supported by little or no market activity, are significant to the fair value of the assets or liabilities, and reflect our own assumptions about the assumptions market participants would use in pricing the asset or liability developed using the best information available in the circumstances.

Accounts Receivable—We record receivables at net realizable value and they generally do not bear interest. In evaluating the allowance for estimated uncollectible accounts to reflect any loss anticipated on the accounts receivable balances, we consider historical write-offs by customer, level of past due accounts and economic status of the customers. A receivable is considered delinquent if it is unpaid after the term of the related invoice has expired. To the extent we have write-offs, those write-offs are recorded at the time a customer receivable is deemed uncollectible. We did not have any write-offs in the quarters ended April 2, 2021 or April 3, 2020 and our allowance for estimated uncollectible accounts is $0 as of April 2, 2021 and January 1, 2021.

Contract Assets and Liabilities—The timing of revenue recognition, customer billings and cash collections results in accounts receivable, contract assets and contract liabilities at the end of each reporting period. Contract assets include unbilled amounts typically resulting from revenue recognized exceeding amounts billed to customers for contracts utilizing the percentage of completion ("POC") cost-to-cost revenue recognition method. We bill customers as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals, upon achievement of contractual milestones or upon deliveries and, in certain arrangements, the customer may withhold payment of a small portion of the contract price until contract completion. Contract liabilities include advance payments and billings in excess of revenue recognized, including deferred revenue. Contract assets and liabilities are reported on a contract-by-contract basis at the end of each reporting period. There were no noncurrent contract liabilities.

Contract assets related to amounts withheld by customers until contract completion are not considered a significant financing component of our contracts because the intent is to protect the customers from our

NOTE A: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

failure to satisfactorily complete our performance obligations. Payments received from customers in advance of revenue recognition are not considered a significant financing component of our contracts because they are utilized to pay for contract costs within a one-year period or are requested by us to ensure the customers meet their payment obligations. See *Note B: Contract Assets and Contract Liabilities* in these Notes for additional information.

Inventories—Inventories are valued at the lower of cost (determined by average and first-in, first-out methods) or net realizable value. We regularly review inventory quantities on hand and record a provision for excess and obsolete inventory primarily based on our estimated forecast of product demand, anticipated end of product life and production requirements. See *Note C: Inventories* in these Notes for additional information regarding inventories.

Costs to Obtain or Fulfill a Contract—Costs to obtain a contract are incremental direct costs incurred to obtain a contract with a customer and are capitalized if material. Costs to fulfill a contract include costs directly related to a contract or specific anticipated contract (for example, mobilization, set-up and certain design costs) that generate or enhance our ability to satisfy our performance obligations under these contracts. These costs are capitalized to the extent they are expected to be recovered from the associated contract. Capitalized costs to obtain or fulfill a contract are amortized to expense over the expected period of benefit for contracts with terms greater than one year on a systematic basis that is consistent with the pattern of transfer of the associated goods and services to the customer. As a practical expedient, capitalized costs to obtain or fulfill a contract with a term of one year or less are expensed as incurred. We did not have any capitalized costs to obtain or fulfill a contract at April 2, 2021 and January 1, 2021.

Property, Plant and Equipment—Property, plant and equipment are carried on the basis of cost and include software capitalized for internal use. Depreciation of buildings, machinery and equipment is computed by the straight-line method. The estimated useful lives of buildings, including leasehold improvements, generally range between 2 and 45 years. The estimated useful lives of machinery and equipment generally range between 2 and 10 years. Amortization of internal-use software begins when the software is put into service and is based on the expected useful life of the software. The useful lives over which we amortize internal-use software generally range between 3 and 10 years. See *Note D: Property, Plant and Equipment* in these Notes for additional information regarding property, plant and equipment.

Goodwill—Where pushdown accounting is applied, we follow the acquisition method of accounting to record the assets and liabilities of acquired businesses at their estimated fair value at the date of acquisition. We initially record goodwill for the amount the consideration transferred exceeds the acquisition-date fair value of net identifiable assets acquired.

We test goodwill for impairment at a level within the Business referred to as the reporting unit. We test our goodwill for impairment annually as of the first day of our fourth fiscal quarter, or under certain circumstances, more frequently, such as when events or circumstances indicate there may be impairment. Such events or circumstances may include a significant deterioration in overall economic conditions, changes in the business climate of our industry, a decline in our market capitalization, operating performance indicators, competition, reorganizations of our business or the disposal of all or a portion of a reporting unit.

To test goodwill for impairment, we may perform both qualitative and quantitative assessments. If we elect to perform a qualitative assessment, we evaluate events and circumstances impacting the reporting unit to determine the probability that goodwill is impaired. If we determine it is more likely-than-not that the fair value of the reporting unit is less than its carrying amount, we measure any loss from an impairment by comparing the fair value of the reporting unit to its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, goodwill is considered impaired, and an impairment loss is recognized in an amount equal to that excess. See *Note E: Goodwill and Intangibles* in these Notes for additional information regarding goodwill.

Long-Lived Assets, Including Intangible Assets—Long-lived assets, including finite-lived intangible assets, are amortized to expense over their useful lives either according to the underlying economic benefit as reflected by future net cash inflows or on a straight-line basis depending on the nature of the asset. We assess the

NOTE A: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

recoverability of the carrying value of our long-lived assets, including finite-lived intangible assets, whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. We evaluate the recoverability of such assets based on the expectations of undiscounted cash flows from such assets. If the sum of the expected future undiscounted cash flows were less than the carrying amount of the asset, a loss would be recognized for the difference between the fair value and the carrying amount. We did not have any indefinite-lived intangible assets at April 2, 2021 and January 1, 2021. See *Note D: Property, Plant and Equipment* and *Note E: Goodwill and Intangibles* in these Notes for additional information regarding long-lived assets and intangible assets, respectively.

Leases—We recognize right-of-use (“ROU”) assets and lease liabilities in our balance sheet for operating leases under which we are the lessee. As a practical expedient, leases with a term of twelve months or less (including reasonably expected extension periods) are expensed as incurred. We did not have any finance leases at April 2, 2021 and January 1, 2021.

Operating lease assets are included in the “Operating lease right-of-use assets” line item in our Combined Balance Sheet. Operating lease liabilities for obligations due within twelve months are included in the “Other accrued items” line item in our Combined Balance Sheet. Operating lease liabilities for obligations due longer than twelve months are included in the “Operating lease liabilities” line item in our Combined Balance Sheet.

ROU assets and lease liabilities are recognized based on the present value of future lease payments. Lease payments include base rent. Our lease payments also include non-lease components such as real estate taxes and common-area maintenance costs. As a practical expedient, we account for lease and non-lease components as a single component. The present value of future lease payments is determined using our incremental borrowing rate at lease commencement over the expected lease term. We use our incremental borrowing rate because our leases do not provide an implicit lease rate. The expected lease term represents the number of years we expect to lease the property, including options to extend or terminate the lease when it is reasonably certain that we will exercise the option.

Operating lease expense is recognized as an operating cost on a straight-line basis over the expected lease term in our Combined Statement of Income.

Other Assets and Liabilities—No assets within the “Other current assets” or “Other non-current assets” line items in our Combined Balance Sheet exceeded 5 percent of our total current assets or total assets, respectively, at April 2, 2021 or January 1, 2021. No accrued liabilities or expenses within the “Other accrued items” or “Other long-term liabilities” line items in our Combined Balance Sheet exceeded 5 percent of our total current liabilities or total liabilities, respectively, at April 2, 2021 or January 1, 2021.

Income Taxes—The Business’ income tax provision was prepared following the separate return method. The separate return method applies ASC 740 to the stand-alone financial statements of each member of the combined group as if the group members were a separate taxpayer. The calculation of our income taxes on a separate return basis requires a considerable amount of judgment and use of both estimates and allocations. As a result, actual transactions included in the consolidated financial statements of L3Harris may not be included in the separate Combined Financial Statements of the Business. Similarly, the tax treatment of certain items reflected in the Combined Financial Statements of the Business may not be reflected in the consolidated financial statements and tax returns of L3Harris. Therefore, such items as net operating losses, credit carry-forwards and valuation allowances may exist in the stand-alone financial statements that may or may not exist in L3Harris’ consolidated financial statements.

The Business provides for income taxes using the liability method. Deferred income tax assets and liabilities reflect tax carryforwards and the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes, as determined under enacted tax laws and rates. The effect of changes in tax laws or rates is accounted for in the period of enactment. Valuation allowances for deferred tax assets are provided when it is more likely than not that the assets will not be realized, considering, when appropriate, tax planning strategies.

NOTE A: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The evaluation of tax positions taken in a filed tax return, or planned to be taken in a future tax return or claim, involves inherent uncertainty and requires the use of judgment. We evaluate our income tax positions and record tax benefits for all years subject to examination based on our assessment of the facts and circumstances as of the reporting date. For tax positions where it is more likely than not that a tax benefit will be realized, we record the largest amount of tax benefit with a greater than 50 percent probability of being realized upon ultimate settlement with the applicable taxing authority, assuming the taxing authority has full knowledge of all relevant information. For income tax positions where it is not more likely than not that a tax benefit will be realized, we do not recognize a tax benefit in our Combined Financial Statements.

In general, the taxable income (loss) of the Business was included in the L3Harris consolidated tax returns. As such, separate income tax returns were not prepared for the individual entities included within the combined financial statements. Consequently, income taxes currently payable are deemed to have been remitted to L3Harris in the period in which the liability arose, and income taxes currently receivable are deemed to have been received from the Business in the period in which the receivable arose. See *Note H: Income Taxes* in these Notes.

Standard Warranties—We record estimated standard warranty costs in the period in which the related products are delivered. Factors that affect the estimated cost for warranties include the terms of the contract, the type and complexity of the delivered product, number of installed units, historical experience and management's assumptions regarding anticipated rates of warranty claims and cost per claim. Our standard warranties start from the shipment, delivery or customer acceptance date and typically range from one to two years.

Because our products are manufactured, in many cases, to customer specifications and their acceptance is based on meeting those specifications, we historically have experienced minimal warranty costs. Factors that affect our warranty liability include the number of installed units, historical experience, anticipated delays in delivery of products to end customers, in-country support for international sales and our assumptions regarding anticipated rates of warranty claims and cost per claim. We assess the adequacy of our recorded warranty liabilities every quarter and make adjustments to the liability as necessary.

Foreign Currency Translation—The functional currency for our Magnet-Motor business is the Euro, which is also the local currency. Assets and liabilities are translated at current rates of exchange and income and expense items are translated at the weighted average exchange rate for the year. The resulting translation adjustments are recorded as a separate component of equity.

Stock Options and Other Share-Based Compensation—Certain employees of the Business participate in share-based compensation plans of L3Harris. We measure compensation cost for all share-based payments (including employee stock options) at fair value and recognize cost over the vesting period, with forfeitures recognized as they occur. See *Note K*: *Related Parties* in these Notes for additional information regarding share-based compensation.

Revenue Recognition—We account for a contract when it has approval and commitment from all parties, the rights and payment terms of the parties can be identified, the contract has commercial substance and the collectability of the consideration, or transaction price, is probable. Our contracts are often subsequently modified to include changes in specifications, requirements or price that may create new or change existing enforceable rights and obligations. We do not account for contract modifications (including unexercised options) or follow-on contracts until they meet the requirements noted above to account for a contract.

At the inception of each contract, we evaluate the promised goods and services to determine whether the contract should be accounted for as having one or more performance obligations. A performance obligation is a promise to transfer a distinct good or service to a customer and represents the unit of accounting for revenue recognition. A substantial majority of our revenue is derived from long-term development and production contracts involving the design, development, manufacture or modification of engines and/or transmissions for military combat vehicles and spare parts according to customer's specifications. Due to the highly interdependent and interrelated nature of the engine and transmission systems which often result in the delivery of multiple units, we account for these contracts as one performance obligation. For contracts

NOTE A: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

that include both development/production of engines or transmissions and the provision of spare parts, we generally consider the spare parts distinct in the context of the contract and account for them as separate performance obligations. Contracts to manufacture engines and transmissions often result in the delivery of distinct units in a series that are substantially the same. We account for each series of engines or transmissions that are substantially the same as a single performance obligation. We recognize revenue on our engine and transmission contracts using the percentage of completion ("POC") revenue recognition method as there is no alternative use for the engines, transmissions and spare parts and our contracts include progress payment provisions that provide for the right to bill for cost and profit for work performed to date. A portion of our revenue is derived from the provision of technical support services. Orders for technical support services are typically considered a separate contract. Revenue for technical support services is recognized using the POC cost-to-cost revenue recognition method. Shipping and handling costs incurred after control of a product has transferred to the customer (for example, in free on board shipping arrangements) are treated as fulfillment costs and, therefore, are not accounted for as separate performance obligations. Also, we record taxes collected from customers and remitted to governmental authorities on a net basis in that they are excluded from revenue.

As noted above, our contracts are occasionally modified to include changes in specifications, requirements or price. Depending on the nature of the modification, we consider whether to account for the modification as an adjustment to the existing contract or as a separate contract. Often, given each deliverable within the original contract is distinct, when a customer orders additional similar deliverables, the additional deliverables in our contract modifications are distinct and accounted for as a separate contract.

We determine the transaction price for each contract based on our best estimate of the consideration we expect to receive, which in limited cases includes assumptions regarding variable consideration, such consideration for cost-reimbursable technical support service contracts. We include such estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. We estimate variable consideration primarily using the most likely amount method.

For contracts with multiple performance obligations, we allocate the transaction price to each performance obligation based on the relative standalone selling price of the good or service underlying each performance obligation. The standalone selling price represents the amount for which we would sell the good or service to a customer on a standalone basis (i.e., not sold as a bundle with any other products or services). Our contracts with the U.S. Government, including foreign military sales contracts, are subject to the Federal Acquisition Regulations ("FAR") and the prices of our contract deliverables are typically based on our estimated or actual costs plus a reasonable profit margin. As a result, the standalone selling prices of the goods and services in these contracts are typically equal to the selling prices stated in the contract, thereby, eliminating the need to allocate (or reallocate) the transaction price to the multiple performance obligations. In our non-U.S. Government contracts, we also generally use the expected cost plus a reasonable profit margin approach to determine standalone selling price. In addition, we determine standalone selling price for certain contracts that are commercial in nature based on observable selling prices.

We recognize revenue for each performance obligation when (or as) the performance obligation is satisfied by transferring control of the promised goods or services underlying the performance obligation to the customer. The transfer of control for substantially all of our revenues occurs over time.

Over Time Revenue Recognition: For U.S. Government development and production contracts, there is a continuous transfer of control of the asset to the customer as it is being produced based on FAR clauses in the contract that provide the customer with lien rights to work in process and allow the customer to unilaterally terminate the contract for convenience, pay us for costs incurred plus a reasonable profit and take control of any work in process. This also typically applies to our contracts with prime contractors for U.S. Government development and production contracts, when the above-described FAR clauses are flowed down to us by the prime contractors.

Our non-U.S. Government development and production contracts often do not include the FAR clauses described above. However, over time revenue recognition is typically supported either through our

NOTE A: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

performance creating or enhancing an asset that the customer controls as it is created or enhanced or based on other contractual provisions or relevant laws that provide us with an enforceable right to payment for our work performed to date plus a reasonable profit if our customer were permitted to and did terminate the contract for reasons other than our failure to perform as promised. Over time revenue recognition for our non-U.S. Government services contracts are typically supported by the customer consuming the benefits from the services as we perform them.

Revenue for our development and production contracts is recognized over time, typically using the series guidance where deliverables are substantially the same and represent a performance obligation satisfied over time.

For performance obligations to provide services that are satisfied over time, we recognize revenue using the POC cost-to-cost method.

Contract Estimates: Under the POC cost-to-cost method of revenue recognition, a single estimated profit margin is used to recognize profit for each performance obligation over its period of performance. Recognition of profit on a contract requires estimates of the total cost at completion and transaction price and the measurement of progress towards completion. Due to the long-term nature of some of our contracts, developing the estimated total cost at completion and total transaction price often requires judgment. Factors that must be considered in estimating the cost of the work to be completed include the nature and complexity of the work to be performed, subcontractor performance and the risk and impact of delayed performance. Factors that must be considered in estimating the total transaction price include contractual cost as well as our historical experience and our expectation for performance on the contract. At the outset of each contract, we gauge its complexity and perceived risks and establish an estimated total cost at completion in line with these expectations. After establishing the estimated total cost at completion, we follow a standard Estimate at Completion ("EAC") process in which we review the progress and performance on our ongoing contracts at least quarterly and, in many cases, more frequently. If we successfully retire risks associated with the technical, schedule and cost aspects of a contract, we may lower our estimated total cost at completion commensurate with the retirement of these risks. Conversely, if we are not successful in retiring these risks, we may increase our estimated total cost at completion. Additionally, as the contract progresses, our estimates of total transaction price may increase or decrease if, for example, we receive award fees that are higher or lower than expected. When adjustments in estimated total costs at completion or in estimated total transaction price are determined, the related impact on operating income is recognized using the cumulative catch-up method, which recognizes in the current period the cumulative effect of such adjustments for all prior periods. Any anticipated losses on these contracts are fully recognized in the period in which the losses become evident.

Net EAC adjustments had the following impact to earnings for the periods presented (in thousands):

	April 2, 2021	April 3, 2020
Net EAC adjustments, before income taxes	$10,407	$8,398
Net EAC adjustments, net of income taxes	$ 7,891	$6,441

Revenue recognized from performance obligations satisfied in prior periods was $10,292 and $9,167 for the fiscal quarters ended April 2, 2021 and April 3, 2020, respectively.

Backlog: Backlog, which is the equivalent of our remaining performance obligations, represents the future revenue we expect to recognize as we perform on our current contracts. Backlog comprises both funded backlog (i.e., firm orders for which funding is authorized and appropriated) and unfunded backlog. Backlog excludes unexercised contract options and potential orders under ordering-type contracts, such as indefinite delivery, indefinite quantity ("IDIQ") contracts.

Disaggregation of Revenue: We disaggregate revenue by customer relationship, contract type and geographical region. We believe these categories best depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

NOTE A: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

	April 2, 2021	April 3, 2020
	(In thousands)	
Revenue By Customer Relationship		
Prime contractor	$49,566	$34,723
Subcontractor	21,803	18,636
	$71,369	$53,359
Revenue By Contract Type		
Fixed-price	$67,127	$49,355
Cost-reimbursable	4,242	4,004
	$71,369	$53,359
Revenue By Geographical Region		
United States	$64,210	$45,460
International	7,159	7,899
	$71,369	$53,359

Financial Guarantees and Commercial Commitments—Financial guarantees are contingent commitments issued to guarantee the performance of a customer to a third party in borrowing arrangements, such as commercial paper issuances, bond financings and similar transactions. As of April 2, 2021, we did not have material financial guarantees and there were no such contingent commitments accrued for in our Combined Balance Sheet.

We have entered into commercial commitments in the normal course of business including surety bonds, standby letter of credit agreements and other arrangements with financial institutions and customers primarily relating to the guarantee of future performance on certain contracts to provide products and services to customers and to obtain insurance policies with our insurance carriers.

Significant Accounting Policies Update—There have been no material changes to our significant accounting policies described in our audited Combined Financial Statements for the fiscal year ended 2020.

Adoption of New Accounting Standards—Effective January 3, 2020, we adopted Accounting Standards Update 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* on a modified retrospective basis. The new standard replaces the existing impairment model, under which impairment of financial instruments, including accounts receivable and contract assets, is recognized when it becomes probable a loss has been incurred, with a model that requires recognition of expected credit losses over the estimated life of an asset at inception and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Due to the low historical loss rates associated with our customer base and lack of expected credit losses on our existing receivables and contract assets, adopting this standard did not have an impact on our financial position, results of operations, cash flows or equity.

NOTE B: CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets and contract liabilities are summarized below (in thousands):

	April 2, 2021	January 1, 2021
Contract assets	$46,972	$39,523
Contract liabilities, current	(4,373)	(5,782)
Net contract assets	$42,599	$33,741

Our contract assets are composed of unbilled contract receivables as of April 2, 2021 and January 1, 2021. There were no impairment losses related to our contract assets for the quarter ended April 2, 2021. For the

NOTE B: CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

fiscal quarters ended April 2, 2021 and April 3, 2020, we recognized as revenue $2,901 and $1,057 of contract liabilities that were outstanding at January 1, 2021 and January 3, 2020, respectively.

NOTE C: INVENTORIES

Inventories are summarized below (in thousands):

	April 2, 2021	January 1, 2021
Work in process	$ 31	$ 137
Raw materials and supplies	5,452	5,454
	$5,483	$5,591

NOTE D: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized below (in thousands):

	April 2, 2021	January 1, 2021
Land	$ 1,967	$ 1,967
Software capitalized for internal use	2,328	2,351
Buildings	16,585	16,557
Machinery and equipment	53,330	53,347
	74,210	74,222
Less accumulated depreciation and amortization	(51,138)	(50,404)
	$ 23,072	$ 23,818

Depreciation and amortization expense related to property, plant and equipment was $772 and $1,044 for the quarters ended April 2, 2021 and April 3, 2020, respectively.

NOTE E: GOODWILL AND INTANGIBLE ASSETS

The carrying amount of Goodwill is as follows (in thousands):

Goodwill, gross as of January 1, 2021	$135,975
Accumulated impairment losses as of January 1, 2021	(8,427)
As of January 1, 2021	127,548
As of April 2, 2021	$127,548

Intangible assets separately recognized from our business combinations are solely composed of customer relationships. The fair value for customer relationships is determined, as of the date of acquisition, based on estimates and judgments regarding expectations for the estimated future after-tax earnings and cash flows arising from the follow-on sales expected from the customer relationships over the estimated lives, including the probability of expected future contract renewals and sales, less a contributory assets charge, all of which is discounted to present value. We assess the recoverability of the carrying value of our customer relationships whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. Our customer relationships are summarized below:

April 2, 2021			January 1, 2021		
(In thousands)					
Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
$15,491	$(15,018)	$473	$15,491	$(14,977)	$514

NOTE E: GOODWILL AND INTANGIBLE ASSETS (Continued)

Amortization expense related to customer relationships was $41 and $54 for the quarters ended April 2, 2021 and April 3, 2020, respectively.

Future estimated amortization expense for customer relationships is as follows:

	(In thousands)
Remainder of 2021	$123
2022	126
2023	96
2024	74
2025	54
Thereafter	—
Total	$473

NOTE F: PENSION AND OTHER POSTRETIREMENT BENEFITS

Multi-employer Benefit Plans

Certain of our employees are covered under defined benefit plans legally sponsored by L3Harris. The Business is allocated its relevant share of the net periodic pension costs or income for the L3Harris employee benefit plans by L3Harris. As such, the Business has not recorded any liabilities nor plan assets associated with our participation in these multi-employer plans in our Combined Balance Sheet as of April 2, 2021 or January 1, 2021. Net periodic benefit income allocated to the Business related to our multi-employer plans was $944 and $785 for the quarters ended April 2, 2021 and April 3, 2020, respectively, and is composed of the components summarized below (in thousands):

	Quarter Ended	
	April 2, 2021	April 3, 2020
Service cost	$ 297	$ 259
Interest cost	474	659
Expected return on plan assets	(1,609)	(1,588)
Amortization of net actuarial loss and prior service cost	(106)	(116)
Total net periodic benefit income	(944)	(785)

Service cost is included within the "Cost of product sales and services" line item in our Combined Statement of Income and the remaining components of net periodic benefit income are included within the 'Non-operating income" line item in our Combined Statement of Income.

Defined Contribution Plan

Certain of our employees participate in defined contribution plans sponsored by L3Harris. Our costs related to L3Harris' matching contributions under the defined contribution plans were $402 and $382 for the quarters ended April 2, 2021 and April 3, 2020, respectively.

NOTE G: ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) ("AOCI")

The changes in AOCI are included below (in thousands):

	Total AOCI
Balance at January 1, 2021	**$ 249**
Foreign currency translation gain (loss), net of income taxes	(329)
Balance at April 2, 2021	**(80)**
Balance at January 3, 2020	**(721)**
Foreign currency translation gain (loss), net of income taxes	(162)
Balance at April 3, 2020	**$(883)**

NOTE H: INCOME TAXES

Our effective tax rate (income taxes as a percentage of income from continuing operations before income taxes) was 24.17 percent for the fiscal quarter ended April 2, 2021 compared with 23.30 percent for the fiscal quarter ended April 3, 2020. For the fiscal quarter ended April 2, 2021, our effective tax rate benefited from the favorable impact of foreign derived intangible income ("FDII") and research and development ("R&D") credits. For the fiscal quarter ended April 3, 2020, our effective tax rate benefited from the favorable impact of FDII and R&D credits.

NOTE I: BACKLOG

Backlog, which is the equivalent of our remaining performance obligations, represents the future revenue we expect to recognize as we perform on our current contracts. Backlog comprises both funded backlog (i.e., firm orders for which funding is authorized and appropriated) and unfunded backlog. Backlog excludes unexercised contract options and potential orders under ordering-type contracts, such as indefinite delivery, indefinite quantity contracts.

At April 2, 2021, our ending backlog was $343,593. We expect to recognize approximately 56 percent of the revenue associated with this backlog within the next twelve months and the substantial majority of the revenue associated with this backlog within the next three years. At January 1, 2021, our ending backlog was $392,378.

NOTE J: LEGAL PROCEEDINGS AND CONTINGENCIES

From time to time, as a normal incident of the nature and kind of businesses in which we are or were engaged, various claims or charges are asserted and litigation or arbitration is commenced by or against us arising from or related to matters, including but not limited to: product liability; personal injury; patents, trademarks, trade secrets or other intellectual property; labor and employee disputes; commercial or contractual disputes; strategic acquisitions or divestitures; the prior sale or use of former products allegedly containing asbestos or other restricted materials; breach of warranty; or environmental matters. Claimed amounts against us may be substantial, but may not bear any reasonable relationship to the merits of the claim or the extent of any real risk of court or arbitral awards. We record accruals for losses related to those matters against us that we consider to be probable and that can be reasonably estimated. Gain contingencies, if any, are recognized when they are realized and legal costs generally are expensed when incurred. At April 2, 2021, our accrual for the potential resolution of lawsuits, claims or proceedings that we consider probable of being decided unfavorably to us was not material. Although it is not feasible to predict the outcome of these matters with certainty, it is reasonably possible that some lawsuits, claims or proceedings may be disposed of or decided unfavorably to us and in excess of the amounts currently accrued. Based on available information, in the opinion of management, settlements, arbitration awards and final judgments, if any, which are considered probable of being rendered against us in litigation or arbitration in existence at April 2, 2021 are reserved against or would not have a material adverse effect on our financial position, results of operations or cash flows.

NOTE K: RELATED PARTY TRANSACTIONS

Allocation of Corporate Expenses

The Combined Statement of Income includes L3 and L3Harris corporate and segment expenses directly attributed or otherwise allocable to the Business through the application of government cost accounting practices or other reasonable means totaling $2,133 and $1,555 for the quarters ended April 2, 2021 and April 3, 2020, respectively. Amounts are exclusive of share-based compensation, disclosed below, and multiemployer benefit plan cost (income), disclosed separately in *Note F: Pensions*.

Related Party Revenues and Cost of Revenues

Related party sales from CPS to L3Harris and its non-CPS affiliates were $55 for the quarter ended April 2, 2021 and are recorded in the "Revenues from product sales and services" line item in our Combined Statement of Income. Related party sales from CPS to L3Harris and its non-CPS affiliates were not significant for the quarter ended April 3, 2020. Purchases from L3Harris and its non-Chrome affiliates were $158 and $2,073 for the quarters ended April 2, 2021 and April 3, 2020, respectively.

Amounts due to or due from L3Harris are expected to be settled in advance of the close of the Transaction and will not be conveyed. Accordingly, amounts due to or due from L3Harris have been included as part of the "Net parent investment" line item in our accompanying Combined Balance Sheet.

Share-Based Compensation

Certain employees of the Business participate in share-based compensation plans of L3Harris and the Business is allocated the direct cost of such plans. Share-based compensation expense recognized in the Combined Statement of Income was $50 and $41 for the quarters ended April 2, 2021 and April 3, 2020, respectively.

The Combined Balance Sheet does not include any equity issued related to share-based compensation plans of L3Harris.

NOTE L: SUBSEQUENT EVENTS

The Business evaluated its subsequent events through May 28, 2021, which is the date the accompanying combined financial statements were issued. No material subsequent events were identified.

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