IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("QIBs") WITHIN THE MEANING OF RULE 144A ("RULE 144A") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR (2) PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT) AND WHO ARE OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S ("REGULATION S") UNDER THE U.S. SECURITIES ACT (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA, A QUALIFIED INVESTOR).

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

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

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

Confirmation of your representation: In order to be eligible to view the offering memorandum or make an investment decision with respect to the securities described therein, investors must be either (1) QIBs or (2) persons who are not U.S. persons (as defined in Regulation S) and who are outside the United States in an offshore transaction outside the United States in reliance on Regulation S; *provided* that investors resident in a member state of the European Economic Area are qualified investors (within the meaning of Article 2(1)(e) of Regulation (EU) 2017/1129). The offering memorandum is being sent at your request. By accepting the e-mail and accessing the offering memorandum, you shall be deemed to have represented to the Initial Purchasers (as defined in the attached offering memorandum), being the sender or senders of the offering memorandum, that:

(1) you consent to delivery of such offering memorandum by electronic transmission,

(2) either:

  (a) you and any customers you represent are QIBs, or

  (b) (i) you and any customers you represent are not U.S. Persons, and (ii) the e-mail address that you gave us and to which the offering memorandum has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States or the District of Columbia, and

(3) if you are resident in a member state of the European Economic Area, you are a qualified investor.

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

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

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires

that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the respective Issuer in such jurisdiction. Under no circumstances shall the offering memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The offering memorandum has not been approved by an authorized person in the United Kingdom and is for distribution only to persons who (i) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**")), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities 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. No part of this offering memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person.

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) received by it in connection with the issue or sale of the securities other than in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to us.

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

Solely for the purposes of the product approval process of the manufacturers, the target market assessment in respect of the Notes described in the attached offering memorandum has led to the conclusion that: (i) the target market for the 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 such Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending such 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 Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

The Notes are not intended to be offered or sold and should not be offered or sold to any retail investor in the European Economic Area ("**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 (EU) 2016/97 (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; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). No key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes to any retail investor in the EEA may be unlawful under the PRIIPS Regulation. The Offering Memorandum has been prepared on the basis that any offer of such debt securities in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of such debt securities. The Offering Memorandum is not a prospectus for the purposes of the Prospectus Regulation. Accordingly any person making or intending to make an offer in a Member State of Notes which are the subject of the offering contemplated in this Offering Memorandum may only do so in circumstances in which no obligation arises for the Issuer or any of the Managers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation in relation to such offer. Neither the Issuer nor the Managers have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or the Managers to publish a prospectus for such offer.

Cheplapharm Arzneimittel GmbH
€500,000,000 3.500% Senior Secured Notes due 2027

Cheplapharm Arzneimittel GmbH, organized as a company with limited liability (*Gesellschaft mit beschränkter Haftung*) under the laws of the Federal Republic of Germany (the "**Issuer**" or the "**Company**"), is offering (the "**Offering**") €500,000,000 aggregate principal amount of 3.500% senior secured notes due 2027 (the "**Notes**"). The gross proceeds from the Offering together with cash on hand will be used to (i) repay certain of our existing indebtedness (including accrued and unpaid interest as well as premiums, prepayment fees and breakage costs, if any), (ii) finance the purchase price for the Sake Acquisition (as defined herein) and (iii) pay costs, fees and expenses related to the Transactions (as defined herein).

The Notes will mature on February 11, 2027. The notes will bear interest at a rate of 3.500% per annum and the Issuer will pay interest on the Notes semi-annually on each February 15 and August 15, commencing August 15, 2020. Prior to February 15, 2023, the Issuer will be entitled, at its option, to redeem all or a portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes redeemed plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date and the applicable "make-whole" premium, as described in this offering memorandum (the "**Offering Memorandum**"). Some or all the Notes may also be redeemed at any time on or after February 15, 2023 at the redemption prices set forth in this Offering Memorandum. In addition, prior to February 15, 2023, the Issuer may redeem at its option up to 40% of the aggregate principal amount of the Notes with the net proceeds from certain equity offerings at a redemption price equal to 103.500% plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date, provided that at least 60% of the aggregate principal amount of the Notes (including the original principal amount of any Additional Notes (as defined herein)) remains outstanding after the redemption. Prior to February 15, 2023, the Issuer may redeem in each calendar year up to 10% of the original principal amount of the Notes (including any Additional Notes) 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.

If the Issuer experiences a change of control (as described in this Offering Memorandum), the holders of the Notes will have the right to require the Issuer to make an offer to repurchase all the Notes at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date. In addition, 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 highest price (excluding any early tender premium or similar payment) paid to each other holder of such Notes. In addition, the Issuer may redeem all, but not less than all, of Notes upon the occurrence of certain changes in applicable tax law.

The Notes will be senior secured obligations of the Issuer and will rank equal in right of payment with all existing and future obligations of the Issuer that are not subordinated in right of payment to the Notes. As of the Issue Date, the Notes will be guaranteed on a senior basis with limited recourse by CheplaFinance 2 GmbH (the "**Parent Guarantor**"), the immediate holding company of the Issuer (the "**Guarantee**"). The Parent Guarantor also guarantees certain obligations under the Senior Facilities Agreement (as defined herein) on a *pari passu* basis. As of the Issue Date, the Notes will be secured by (i) a first-priority pledge over all the shares in the Issuer, (ii) a first-priority assignment of claims under shareholder loans granted by the Parent Guarantor to the Issuer and its Restricted Subsidiaries, (iii) a first-priority assignment by the Issuer of payment claims against its Restricted Subsidiaries, (iv) a first-priority pledge over the Issuer's bank accounts kept in Germany and (v) a first-priority pledge over certain stock in listed companies held by the Issuer for investment purposes (the "**Collateral**"). The validity and enforceability of the Guarantee and the security interests over the Collateral and the liability of the Parent Guarantor will be subject to the limitations described in "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and Security Interests*" The security interests in favor of the Notes and the Guarantee may be released under certain circumstances. The Notes will be effectively subordinated to all existing and future indebtedness or other obligations of the Issuer that are secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such indebtedness or other obligations, will rank senior in right of payment to any existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes, and will be structurally subordinated to all existing and future indebtedness of any subsidiaries of the Issuer.

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

Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 24.

Price for the Notes: 100.0% plus accrued interest, if any, from the Issue Date

The Notes will be issued in registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. We expect that the Notes will be delivered in book-entry form through Euroclear System ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**") on or about February 11, 2020 (the "**Issue Date**").

This Offering Memorandum does not constitute an offer to sell, or the solicitation of an offer to buy, securities in any jurisdiction where such offer or solicitation is unlawful. The Notes and the Guarantee have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "*U.S. Securities Act*"), or the securities laws of any other jurisdiction. The offering of the Notes is being made only in the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act ("*Rule 144A*") and outside the United States in offshore transactions in reliance on Regulation S under the Securities Act ("*Regulation S*") to persons other than retail investors in the European Economic Area, each defined as 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/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; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "*Prospectus Regulation*"). For a description of certain restrictions on the transfer of the Notes, see "*Plan of Distribution*" and "*Transfer Restrictions*".

Joint Global Coordinators and Joint Bookrunners

Deutsche Bank **J.P. Morgan**

Joint Bookrunners

HSBC **UniCredit Bank**

The date of this Offering Memorandum is January 28, 2020.

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IMPORTANT INFORMATION

This Offering Memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Notes may not be offered or sold, directly or indirectly, and this Offering Memorandum may not be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws that apply to you in any place in which you buy, offer or sell any Notes or possess this Offering Memorandum. You must also obtain any consents or approvals that you need in order to purchase any Notes. Neither we nor Deutsche Bank AG, London Branch, J.P. Morgan Securities plc, HSBC Bank plc or UniCredit Bank AG (the "**Initial Purchasers**") is responsible for your compliance with these legal requirements. See also "*—Notice to Prospective U.S. Investors*", "*—Notice to Certain European Investors*" and "*Plan of Distribution*".

You should base your decision to invest in the Notes solely on information contained in this Offering Memorandum. Neither we nor the Initial Purchasers have authorized anyone to provide you with different information. In addition, neither we nor the Initial Purchasers nor any of our or their respective representatives are providing you with any legal, business, tax or other advice in this Offering Memorandum. We and the Initial Purchasers take no responsibility for, and cannot provide any assurance as to the reliability of, any information or any representation outside of this Offering Memorandum. You should consult with your own advisors as needed to assist you in making your investment decision and to advise you whether you are legally permitted to purchase the Notes.

This Offering Memorandum contains summaries believed to be accurate with respect to certain documents, but reference should be made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of certain of the documents referred to herein will be made available to prospective investors upon request to us.

The Initial Purchasers, the trustees and any other agents acting with respect to the Notes accept no responsibility for and make no representation or warranty, express or implied, as to the accuracy or completeness of the information set out in this Offering Memorandum and nothing contained in this Offering Memorandum is, or should be relied upon as, a promise or representation by the Initial Purchasers, the trustees, or any other agents acting with respect to the Notes as to the past or the future.

By receiving this Offering Memorandum, you acknowledge that you have not relied on the Initial Purchasers or their respective directors, affiliates, agents or advisors in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes. By purchasing the Notes, you will be deemed to have acknowledged that you have reviewed this Offering Memorandum and have had an opportunity to request, and have received all additional information that you need from us. No person is authorized in connection with any offering made by this Offering Memorandum to give any information or to make any representation not contained in this Offering Memorandum or any pricing term sheet or supplement and, if given or made, any other information or representation must not be relied upon as having been authorized by us or the Initial Purchasers.

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

This Offering Memorandum is a confidential document that we are providing only to prospective purchasers of the Notes. The Issuer has prepared this Offering Memorandum solely for use in connection with the offer of the Notes and the Guarantee to qualified institutional buyers under Rule 144A and to non-U.S. persons (within the meaning of Regulation S) outside the United States. You should read this Offering Memorandum before making a decision whether to purchase any Notes. You agree that you will hold the information contained in this Offering Memorandum and the transactions contemplated hereby in confidence. You must not use this Offering Memorandum for any other purpose, make copies of any part of this Offering Memorandum or give a copy of it to any other person; or disclose any information in this Offering Memorandum or distribute this Offering Memorandum to any other person, other than persons retained to advise you in connection with the purchase of the Notes.

By accepting delivery of this Offering Memorandum, you agree to the foregoing restrictions and agree not to use any information herein for any purpose other than considering an investment in the Notes. This Offering Memorandum may only be used for the purpose for which it was published. The information contained under "*Exchange Rate Information*" includes extracts from information and data publicly released by official and other sources. While we accept responsibility for accurately summarizing the information concerning exchange rate information, we accept no further responsibility in respect of such information. The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including the section entitled "*Book-Entry, Delivery and Form*", is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream.

We will not, nor will any of our agents, have responsibility for the performance of the respective obligations of Euroclear and Clearstream or their respective participants under the rules and procedures governing their operations, nor will we or our agents have any responsibility or liability for any aspect of the records relating to, or payments made on account of, book-entry interests held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to these book-entry interests. Investors wishing to use these clearing systems are advised to confirm the continued applicability of their rules, regulations and procedures.

Neither the U.S. Securities and Exchange Commission (the "**SEC**"), any state securities commission nor any non-U.S. securities authority has approved or disapproved of these securities or determined that this Offering Memorandum is accurate or complete. Any representation to the contrary is a criminal offense. The Issuer will apply to list the Notes on the Official List of the Exchange, and has submitted this Offering Memorandum to the competent authorities in connection with the listing application. Comments by the competent authority may require significant modification or reformulation of information contained in this Offering Memorandum or may require the inclusion of additional information. The Issuer may also be required to update the information in this Offering Memorandum to reflect changes in our business, financial condition or results of operations and prospects. We cannot guarantee that the application for the Notes to be listed on the Official List of the Exchange will be approved as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditional on obtaining this listing.

The Issuer is offering the Notes and the Parent Guarantor is issuing the Guarantee, in reliance on an exemption from registration under the U.S. Securities Act for an offer and sale of securities that do not involve a public offering. The Notes are subject to restrictions on transferability and resale, which are described under "*Plan of Distribution*" and "*Transfer Restrictions*". By possessing this Offering Memorandum or purchasing any Note, you will be deemed to have represented and agreed to all the provisions contained in that section of this Offering Memorandum. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

Tax Considerations

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

STABILIZATION

IN CONNECTION WITH THIS OFFERING, DEUTSCHE BANK AG, LONDON BRANCH (THE "**STABILIZATION MANAGER**") (OR PERSON(S) ACTING ON BEHALF OF THE STABILIZATION MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE CAN BE NO ASSURANCES THAT THE STABILIZATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILIZATION MANAGER) WILL UNDERTAKE ANY SUCH STABILIZATION ACTION. SUCH STABILIZATION ACTION, IF COMMENCED, MAY BEGIN ON OR AFTER THE DATE OF ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES AND MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE AND 60 CALENDAR DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER

ALLOTMENT MUST BE CONDUCTED BY THE STABILIZATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILIZATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

NOTICE TO PROSPECTIVE U.S. INVESTORS

None of the U.S. Securities and Exchange Commission, any state securities commission or any other regulatory authority has approved or disapproved of the Notes or the Guarantee, and none of the foregoing authorities have passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary could be a criminal offense in certain jurisdictions.

Each purchaser of the Notes will be deemed to have made the representations, warranties and acknowledgements that are described in this Offering Memorandum under "*Notice to Investors*". The Notes have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and are subject to certain restrictions on transfer. Prospective purchasers are hereby notified that the seller of any note may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of certain further restrictions on resale or transfer of the Notes, see "*Notice to Investors*".

NOTICE TO CANADIAN INVESTORS

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area

This Offering Memorandum has been prepared on the basis that any offer of Notes in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the Notes. This Offering Memorandum is not a prospectus for the purposes of the Prospectus Regulation. Accordingly any person making or intending to make an offer in a Member State of Notes which are the subject of the offering contemplated in this Offering Memorandum may only do so in circumstances in which no obligation arises for the Issuer or any of the Managers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation in relation to such offer. Neither the Issuer nor the Managers have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or the Managers to publish a prospectus for such offer. The expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129, as amended.

Professional investors and eligible counterparties only target market

Solely for the purposes of the product approval process of the manufacturers, the target market assessment in respect of the Notes described in this Offering Memorandum has led to the conclusion that: (i) the target market for such 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 such Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending such 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 Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Prohibition of Sales to EEA Retail Investors

The Notes are not intended to be offered or distributed to and should not be offered or sold 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; (ii) a customer within the meaning of Directive (EU) 2016/97 (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; or (iii) not a qualified investor as defined in the Prospectus Regulation. No key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

Germany

The Offering is not a public offering in the Federal Republic of Germany. The Notes may not be offered and sold in the Federal Republic of Germany except in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (*Wertpapierprospektgesetz*) (as amended, the "**German Securities Prospectus Act**"), of Regulation (EU) 2017/1129, and any other laws applicable in Germany. This Offering Memorandum has not been and will not be submitted to, nor has it been nor will it be approved by, the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) ("**BaFin**"). BaFin has not obtained and will not obtain a notification from another competent authority of a Member State, with which a securities prospectus may have been filed, pursuant to Section 17 Para. 3 of the German Securities Prospectus Act. The Notes must not be distributed within Germany by way of a public offer, public advertisement or in any similar manner, and this Offering Memorandum and any other document relating to the Notes, as well as information contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of Notes to the public in Germany. Consequently, in Germany the Notes will only be available to, and this Offering Memorandum and any other offering material in relation to the Notes is directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 6 of the German Securities Prospectus Act. Any resale of the Notes in Germany may only be made in accordance with the German Securities Prospectus Act and other applicable laws.

Switzerland

The Notes may not be publicly offered or sold, directly or indirectly, in or from Switzerland.

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

Neither this offering memorandum nor any other offering or marketing material relating to the offering nor the Issuer nor the Notes has been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Market Supervisory Authority FINMA, and investors in the Notes will not benefit from protection or supervision by such authority.

United Kingdom.

This Offering Memorandum has not been approved by an authorized person in the United Kingdom. This Offering Memorandum is for distribution only to persons who: (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**"); (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial

Services and Markets Act 2000) in connection with the issue or sale of any securities 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.

NOTICE TO AUSTRALIAN INVESTORS

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia ("**Australian Corporations Act**")) in relation to the Notes has been or will be lodged with the Australian Securities and Investments Commission ("**ASIC**"). Each Initial Purchaser has represented and agreed, and each further Initial Purchaser will be required to represent and agree, that it:

(a) has not offered or invited applications, and will not offer or invite applications, for the issue sale or purchase of the Notes in Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, any draft, preliminary or definitive prospectus, offering memorandum, disclosure document, advertisement or other offering material relating to the Notes in Australia, unless

  (i) the aggregate consideration payable by each offeree or invitee is at least A$500,000 (or its equivalent in other currencies, but disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Parts 6D.2 or 7.9 of the Australian Corporations Act;

  (ii) the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Australian Corporations Act;

  (iii) such action complies with all applicable laws, regulations and directives in Australia; and

  (iv) such action does not require any document to be lodged with ASIC.

NOTICE TO HONG KONG INVESTORS

Each Initial Purchaser has represented and agreed that:

(1) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities (except for Securities which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (the "**SFO**") other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(2) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

NOTICE TO UNITED ARAB EMIRATES INVESTORS

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Initial Purchaser has represented and agreed, and each further Initial Purchaser appointed will be required to represent and agree, that the Notes to be issued have not been and will not be offered, sold or publicly promoted or advertised by it in the U.A.E. other than in compliance with any laws applicable in the U.A.E. governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Initial Purchaser has represented and agreed, and each further Initial Purchaser appointed will be required to represent and agree, that it has not offered and will not offer the Notes to be issued to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules 2012 of the Dubai Financial Services Authority (the "**DFSA**"); and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE 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 our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets in which we participate or are seeking to participate or anticipated regulatory changes in the markets in which we 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", "plan", "potential", "predict", "projected", "should", or "will" or the negative of such terms or other comparable terminology.

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. We caution you that forward-looking statements are not guarantees of future performance and are based on numerous assumptions and that our actual results of operations, including our financial condition and liquidity and the development of the industry in which we 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 our results of operations, including our financial condition and liquidity and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Important risks, uncertainties and other factors that could cause these differences include, but are not limited to:

- the ability to operate in competitive markets with significant price pressure;
- cost-containment reform measures by government health authorities;
- compliance with regulatory environment in various markets;
- risks associated with our business model, including our ability to acquire new products;
- the ability to integrate new products into manufacturing, distribution and sales processes;
- the ability to implement planned improvements and achieve operational excellence;
- the dependency on third parties for the manufacture, storage, distribution and marketing of products;
- default and counterparty risk of major third-parties;
- the ability to maintain the strength of our brands;
- risks associated with product liability and licensing;
- the dependency on key personnel;
- risks associated with conducting business in multiple countries;
- risk of foreign exchange rate fluctuations;
- potential labor disputes;
- our exposure to a data security incident or other technology incident impacting our business;
- risks related to compliance with environmental, health and safety laws and regulations applicable to our business;
- risks related to proprietary rights and other litigation or claims;
- risks associated with insurance policies;
- tax risks associated with tax audits and tax legislation;
- ability to service our debt obligations and finance future operations;
- the covenants contained in the Indenture and the Senior Facilities Agreement, which limit our operating and financial flexibility;
- risks related to our group structure;

- other risks associated with the transaction, our financial profile, the Notes, our structure and the financing; and
- other factors discussed or referred to in this Offering Memorandum.

The risks described in the "*Risk Factors*" section of this Offering Memorandum are not exhaustive. Other sections of this Offering Memorandum include additional factors that could adversely affect our business, financial condition and results of operations. New risks may also emerge from time to time, and it is not possible for us to predict all such risks; nor can we assess the impact of all such risks on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

We urge 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*", "*Industry*" and "*Our Business*" for a more detailed discussion of the factors that could affect our future performance and the markets in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events 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. In addition, from time to time we and our representatives, acting in respect of information provided by us, have made or may make forward-looking statements orally or in writing. These forward-looking statements may be included in, but are not limited to, press releases (including on our website), reports to our security holders and other communications. Although we believe that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

We undertake no obligation, and do not intend, to update or revise any forward-looking statement 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 us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Offering Memorandum.

INDUSTRY AND MARKET DATA

Unless otherwise indicated, statements in this Offering Memorandum regarding the market environment, market developments, growth rates, market trends and the competitive situation in the markets in which we operate and products that we offer are based on market data, statistical information, sector reports and third-party studies as well as on our own estimates.

In drafting this Offering Memorandum we used industry sources, market research, publicly available information including, but not limited to, data from:

- Dealogic data set, accessed on November 6, 2019 ("**Dealogic as of 6-Nov-19**");
- European Commission, "2009 Ageing Report: Economic and budgetary projections for the EU-27 Member States (2008- 2060)", European Economy 2|2009 ("**European Commission, 2009 Ageing Report: Economic and budgetary projections for the EU-27 Member States (2008- 2060)**");
- European Commission, Employment, Social Affairs & Inclusion, "Germany—Health insurance benefits in kind in the event of illness", online link: https://ec.europa.eu/social/main.jsp?catId=1111&langId=en&intPageId=4549 , last accessed on December 2, 2019 ("**European Commission Employment, Social Affairs & Inclusion**");
- European Federation of Pharmaceutical Industries and Associations (EFPIA), "The Pharmaceutical industry in Figures 2019", published 2019 ("**EFPIA: The Pharmaceutical Industry in Figures 2019**");
- Eurostat Database, OECD Health Statistics, "Health at a Glance: Europe 2018", last updated November 9, 2019, Figure 5.2. Annual average growth rate (real terms) in per capita health spending, 2009 to 2017 or nearest year), ("**OECD Health Statistics 2018**");
- Eurostat, "Population structure by major age groups, EU-28, 2018-2100" ("**Eurostat 2018**");
- Evaluate Pharma data set, accessed on November 6, 2019 ("**EvaluatePharma as of Nov-19**");
- Evaluate Pharma Ltd, "Patent Report, Healthcare Portfolio Analysis, Patent Risk Summary, WW Rx & OTC Sales", report date November 19, 2019, ("**EvaluatePharma as of Nov-19**");

- IQVIA, IQVIA PADDS DatabaseViewer Version 7.7.3 Classic, Database Version 7.7.16, ("**IMS**");
- IQVIA, "The Global Use of Medicine in 2019 and Outlook to 2023: Forecasts and Areas to Watch", published January 2019, ("**The Global Use of Medicine in 2019 and Outlook to 2023. IQVIA Institute for Human Data Science. Jan 2019**");
- OECD, "Dataset: Pharmaceutical market", extracted on 28 Nov 2019 09:24 UTC (GMT) from OECD.Stat ("**OECD Dataset Pharmaceutical Market**");
- OECD, "Dataset: Social protection", extracted on 28 Nov 2019 12:25 UTC (GMT) from OECD.Stat ("**OECD Dataset Social Protection**");
- OECD, "OECD Health Statistics 2019—Frequently Requested Data", published July 2019 ("**OECD Health Statistics 2019**");
- OECD, "OECD Obesity Update 2017", published 2017 ("**OECD Obesity Update 2017**");
- OECD, "Dataset: Health expenditure and financing", extracted on 28 Nov 2019 11:16 UTC (GMT) from OECD.Stat;
- United Nations, Population Division, Department of Economic and Social Affairs, "World Population Prospects 2019", published August 2019 ("**United Nations, Department of Economic and Social Affairs, Population Division 2019**");
- WHO 2018: "Public Spending on Health: A Closer Look at Global Trends" ("**World Health Organisation 2018**"); and
- World Obesity Federation, "Calculating Costs of Obesity", published 2017 ("**World Obesity Federation 2017**").

Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe such information has been accurately reproduced by us in this Offering Memorandum and, as far as we are aware and able to ascertain from the information published by the above-listed third-party sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. Market studies and analyses are, however, frequently based on information and assumptions that may not be accurate or technically correct, and their methodology may be forward-looking and speculative. We have not verified the figures, market data and other information used by third parties in the studies, publications and financial information reproduced herein, or the external sources on which our estimates are based. We therefore assume no liability for and offer no guarantee of the accuracy of the data from studies and third-party sources contained in this Offering Memorandum or for the accuracy of third-party data on which our estimates are based.

In addition, certain information in this Offering Memorandum regarding our industry and our market position is not based on published statistical data or information obtained from independent third parties. Such information and statements reflect our own internal estimates based upon information obtained from customers, trade and business organizations and associations and other contacts within our industries, internal surveys, customer interviews and assumptions we deem reasonable. We believe that our estimates of market data and the information we have derived from such data helps investors to better understand the industry in which we operate and our position within it. Our own estimates have not been checked or verified externally. While we assume that our own market observations are reliable, we give no warranty for the accuracy of our own estimates and the information derived from them. They may differ from estimates made by our competitors or from other independent sources. While we are not aware of any misstatements regarding the industry or similar data presented herein, such data involves risks and uncertainties and are subject to change based on various factors, including those discussed under "*Risk Factors*" in this Offering Memorandum. As a result, the market statistics included in this Offering Memorandum should be viewed with caution and neither we nor the Initial Purchasers make any representation as to the accuracy or completeness of any such information in this Offering Memorandum. Certain market data and information included in the Offering Memorandum has been derived from reports denominated in U.S. dollars. We hereby provide a conversion into Euro for convenience purposes.

CURRENCY PRESENTATION AND DEFINITIONS

In this Offering Memorandum, all references to "**euro**", "**EUR**" or "**€**" are to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the

European Community, as amended from time to time, and all references to "**U.S. dollars**", "**US$**" and "**$**" are to the lawful currency of the United States of America.

DEFINITIONS

Unless otherwise specified or the context requires otherwise in this Offering Memorandum:

- "Acquisitions" refers to the acquisitions of additional products or product portfolios described in more detail under "*Summary—Recent Developments—Recent Acquisitions and Related Financing Transactions*";
- "Bridge Facility Agreement" means the USD 124,000,000 bridge facility agreement originally dated November 7, 2019 (as amended by an amendment deed dated November 25, 2019) between, among others, the Issuer as borrower, J.P. Morgan Securities plc as arranger and JP Morgan Chase Bank, N.A. London Branch as original lender;
- "Bridge Facility" means the USD 124,000,000 term loan facility made available under the Bridge Facility Agreement;
- "CAGR" means compound annual growth rate;
- "Collateral" has the meaning ascribed to it under "*Summary—The Offering—Security, Enforcement of Security*";
- "Company" means Cheplapharm Arzneimittel GmbH;
- "EEA" means the European Economic Area;
- "EMA" refers to the European Medicines Agency;
- "Existing Facilities" means the Revolving Credit Facility and the Term Loan Facilities;
- "FDA" refers to the U.S. Food and Drug Administration;
- "GDPR" refers to Regulation (EU) 2016/679 (General Data Protection Regulation);
- "Gold Portfolio" means the portfolio of four products we acquired from Sanofi in October 2019;
- "Group", "we", "us" or "our" refer to the Company and its consolidated subsidiaries from time to time, unless the context otherwise requires;
- "IFRS" means the International Financial Reporting Standards as adopted by the European Union;
- "Indenture" means the indenture governing the Notes.
- "Initial Purchasers" means Deutsche Bank AG, London Branch, J.P. Morgan Securities plc, HSBC Bank plc and UniCredit Bank AG;
- "Intercreditor Agreement" means the intercreditor agreement dated July 6, 2018, as amended and restated from time to time, between, among others, the Issuer, the lenders under the Senior Facilities Agreement and the Security Agent and to be acceded by the Trustee on or prior to the Issue Date;
- "Issue Date" means the date on which the Notes offered hereby are issued;
- "Notes" means the €500.0 million aggregate principal amount of the Issuer's senior secured notes due 2027 offered hereby;
- "Offering" means the offering of the Notes pursuant to this Offering Memorandum;
- "Parent Guarantor" means CheplaFinance 2 GmbH;
- "Recently Acquired Products" means all products or product portfolios, which we have acquired or agreed to acquire after September 30, 2018, namely Dormicum®, Lexotan®, Losec®, the Gold Portfolio (Profact®, Suprefact®, Suprecur®, Suprecur MP®, Anandron®, Ditropan®, Dridase® and Kryptocur®), Seroquel® and the Sake Portfolio (a portfolio of ten products in the areas of cardiology and intensive care);
- "Refinancing Indebtedness" means the indebtedness outstanding as of the Issue Date under the Revolving Credit Facility and the Bridge Facility and to be repaid with a portion of the proceeds of the Offering as described under "*Summary—The Transactions*";

- "Revolving Credit Facility" means the €310,000,000 revolving credit facility made available to the Company under the Senior Facilities Agreement;
- "Sake Portfolio" means the portfolio of ten products in the therapeutic areas of cardiology and intensive care we agreed to acquire from Sanofi in November 2019;
- "Security Agent" means Deutsche Bank Luxembourg S.A.;
- "Security Documents" means the relevant security documents pursuant to which the Collateral will be granted;
- "Senior Facilities Agreement" means the €1,290,000,000 facilities agreement originally dated July 6, 2018 (as amended on November 8, 2018 and as further amended and restated on June 21, 2019) by and among, *inter alios*, the Company as original borrower, Commerzbank Aktiengesellschaft, Deutsche Bank AG, London Branch, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, HSBC Bank plc, Santander Consumer Bank and UniCredit Bank AG as mandated lead arrangers and Deutsche Bank Luxembourg S.A. as facility agent;
- "Term Loan Facilities" means the term loan facilities in an aggregate amount of €980.0 million made available to the Company under the Senior Facilities Agreement;
- "Transactions" refers to the offering of the Notes and the use of proceeds therefrom as described in more detail under "*Summary—The Transactions*";
- "Trustee" means Deutsche Trustee Company Limited; and
- "U.S. Securities Act" means the U.S. Securities Act of 1933, as amended.

Information contained on any website referenced in this Offering Memorandum is not incorporated by reference in this Offering Memorandum and is not part of this Offering Memorandum.

GLOSSARY

"API"	refers to active pharmaceutical ingredient.
"blockbuster" drug or products	refers to a pharmaceutical product that generates at least USD 1 billion of annual sales worldwide.
"CDMO"	refers to contract development and manufacturing organization, which provides comprehensive services including the development and manufacturing of pharmaceutical products.
"CMO"	refers to contract manufacturing organization, which provides pharmaceutical manufacturing services.
"good distribution practice" or "GDP"	refers to a quality assurance which ensures that pharmaceutical products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the marketing authorization.
"good manufacturing practices" or "GMP"	refers to the aspect of quality assurance that ensures that medicinal products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the product specification.
"good pharmacovigilance practices" or "GVP"	refers to a set of measures drawn up to facilitate the performance of pharmacovigilance.
"marketing authorizations"	refers to the authorization issued by the European Commission, the FDA or other local regulatory body and required for a product to be placed on the market.
"MAT"	refers to marketing authorization transfer which means the procedure by which to the extent transferable any approvals issued by the relevant governmental authorities to import, distribute and or/sell the products are transferred from the approved marketing authorization holder to a new holder.
"niche product"	refers to a product whose combination of the API and pharmaceutical form does not face any competition.
"originator"	refers to the pharmaceutical product that was first authorized for marketing (usually as a patented product). An originator product is always branded.
"Over the counter" or "OTC"	refers to non-prescription products.
"Pharmacovigilance" or "PV"	refers to the science and activities relating to the detection, assessment, understanding and prevention of adverse effects or any other medicine-related problem.
"SKU"	refers to stock keeping unit, a distinct type of a product (e.g. in a specific concentration or dosage form).
"TSA" or "transitional service agreement"	refers to agreements with pharmaceutical companies from whom we acquired a new product and pursuant to which the pharmaceutical company continues to operate and manage the manufacture and distribution of the newly acquired product for our account for a transitional period. See "*Our Business—Integration of Acquired Products*".

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

The historical financial information included and presented in this Offering Memorandum is that of the Company and its consolidated subsidiaries. In particular, this Offering Memorandum includes and presents:

- the consolidated financial statements of the Company as of and for the year ended December 31, 2017, including the notes thereto, which have been audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft ("**Deloitte**") (the "**2017 Audited Consolidated Financial Statements**");
- the consolidated financial statements of the Company as of and for the year ended December 31, 2018, including the notes thereto, which have been audited by Deloitte (the "**2018 Audited Consolidated Financial Statements**"); and
- the unaudited interim condensed consolidated financial statements of the Company as of and for the nine months ended September 30, 2019, including the notes thereto (the "**Unaudited Interim Consolidated Financial Statements**").

The 2017 Audited Consolidated Financial Statements, the 2018 Audited Consolidated Financial Statements and the Unaudited Interim Consolidated Financial Statements are together referred to as the "**Consolidated Financial Statements**". The 2017 Audited Consolidated Financial Statements and the 2018 Audited Consolidated Financial Statements are together referred to as the "**Audited Consolidated Financial Statements**". The Audited Consolidated Financial Statements included in this Offering Memorandum have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**"). The Unaudited Interim Consolidated Financial Statements included in this Offering Memorandum has been prepared in accordance with international accounting standard 34 "*Interim financial reporting*" (IAS 34) as adopted by the European Union. The historical financial information marked as "audited" as of and for the year ended December 31, 2018 is extracted from the 2018 Audited Consolidated Financial Statements. The historical financial information marked as "audited" as of and for the year ended December 31, 2017 is extracted from the 2017 Audited Consolidated Financial Statements and the historical financial information marked as "audited" as of and for the fiscal year ended December 31, 2016 is extracted from the comparative financial information for the prior year period presented in the 2017 Audited Consolidated Financial Statements. The financial information as of and for the nine months ended September 30, 2019 and 2018 is taken or derived from the Unaudited Interim Consolidated Financial Statements or from the Group's accounting records. The financial information marked as "unaudited" is extracted from the Unaudited Interim Consolidated Financial Statements or the Group´s internal and external accounting records, or has been calculated on the basis of figures extracted from the above-mentioned sources.

The financial information included in this offering memorandum was not prepared in accordance with generally accepted accounting principles in the United States ("**U.S. GAAP**"). There could be significant differences between IFRS, as applied by us, and U.S. GAAP. We neither describe the differences between IFRS and U.S. GAAP nor reconcile our Consolidated Financial Statements to U.S. GAAP. Accordingly, such information is not available to investors, and investors should consider this in making their investment decision.

The Audited Consolidated Financial Statements and the Unaudited Interim Consolidated Financial Statements contained in the F-pages to this Offering Memorandum should be read in conjunction with the relevant notes thereto. Prospective investors are advised to consult their professional advisors for an understanding of (i) the differences between IFRS and U.S. GAAP and other systems of generally accepted accounting principles and how those differences might affect the financial information included in this Offering Memorandum and (ii) the impact that future additions to, or amendments of, IFRS may have on our results of operations or financial condition, as well as on the comparability of the prior periods.

In addition, we have included certain non-IFRS financial measures and ratios in this Offering Memorandum. See "*—Non-IFRS Financial Measures*" below. The non-IFRS financial measures we present may also be defined differently than the corresponding terms under the Indenture (as defined herein).

The financial information marked as "audited" in tables in this Offering Memorandum is extracted from the Audited Consolidated Financial Statements. Financial information marked as "unaudited" in tables in

this Offering Memorandum is not extracted from the Audited Consolidated Financial Statements and is either extracted from the Unaudited Interim Consolidated Financial Statements or the Company's internal accounting system or is based on calculations of figures of the abovementioned sources.

The financial information included in this Offering Memorandum is not intended to comply with the applicable accounting requirements of the U.S. Securities Act and the related rules and regulations of the SEC which would apply if the Notes and the Guarantee were being registered with the SEC.

Non-IFRS Financial Measures

This Offering Memorandum contains certain non-IFRS measures, including EBITDA, EBITDA margin, EBITDA before non-recurring items, EBITDA before non-recurring items margin, Adjusted EBITDA, Free Cash Flow, Cash Conversion Rate, Financial Indebtedness, Net Financial Indebtedness, *As adjusted* Net Financial Indebtedness, capital expenditure, net working capital and sales.

We define "**EBITDA**" as results of operating activities before amortization, depreciation and impairments. We define "**EBITDA before non-recurring items**" as results of operating activities before amortization, depreciation and impairments and certain adjustments as described under footnote (1) of "*Summary—Summary Financial and Other Information—Summary Other Financial Data*".

We define "**EBITDA margin**" as EBITDA divided by revenue.

We define "**EBITDA before non-recurring items margin**" as EBITDA before non-recurring items divided by revenue.

We define "**Adjusted EBITDA**" as EBITDA before non-recurring items as adjusted for the estimated EBITDA of the Recently Acquired Products, which we acquired at various points of time between October 1, 2018 and the date of this Offering Memorandum, as if they had occurred on October 1, 2018.

We define "**Free Cash Flow**" as EBITDA before non-recurring items plus/less decrease/increase in inventories, plus/less decrease/increase in trade receivables, plus/less decrease/increase in other current assets, plus/less increase/decrease in trade payables, plus/less increase/decrease in other liabilities, plus/less change in financial assets less acquisitions of property, plant and equipment.

We define "**Cash Conversion Rate**" as Free Cash Flow divided by EBITDA before non-recurring items.

We define "**Financial Indebtedness**" as the sum of current and non-current other financial debts and mezzanine loan notes.

We define "**Net Financial Indebtedness**" as Financial Indebtedness less securities and bank balances and cash-in-hand.

We define "***As adjusted* Net Financial Indebtedness**" as Net Financial Indebtedness adjusted to give effect to the Transactions as if they had occurred on September 30, 2019.

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

We define "**net working capital**" as inventories plus trade receivables less trade payables.

We define "**sales**" as revenues before deducting rebates and (cash) discounts.

The non-IFRS financial measures and related ratios contained in this Offering Memorandum should not be considered in isolation and are not measures of our financial performance or liquidity under IFRS and should not be considered as an alternative to revenues, profit or loss for the period 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 our 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 our results of operations. These non-IFRS financial measures are neither audited nor reviewed.

In addition, certain non-IFRS financial measures, as we define them, may not be comparable to other similarly titled measures used by other companies. We believe that EBITDA and the other non-IFRS financial measures presented in this Offering Memorandum represent useful indicators of our financial performance when read in addition to IFRS financial measures indicating our financial performance. You should exercise caution in comparing the non-IFRS financial measures as reported by us to such measures, similar measures or adjusted variations thereof reported by other companies.

In particular, our EBITDA-based measures have limitations as analytical tools and you should not consider them in isolation or as a substitute for the analysis of our results or any performance measures under IFRS as set forth in our Consolidated Financial Statements. These limitations include, among other things:

- they do not reflect our cash expenditures or future requirements for capital investments or contractual commitments;
- they do not reflect interest expense, or the cash requirements necessary, to service interest or principal payments on our debt;
- they do not reflect any cash income taxes that we may be required to pay; and
- other companies in our industry may calculate these measures differently from the way we do, limiting their usefulness as comparative measures.

Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business or as a measure of cash that will be available to us to meet our obligations, including under the Notes. You should rely primarily on our results reported under IFRS and use these non-IFRS financial measures only to supplement your evaluation of our performance.

The unaudited consolidated statement of income information and the other financial information presented for the twelve months ended September 30, 2019 have been derived by subtracting the comparative financial information of the Unaudited Interim Consolidated Financial Statements and the Company's internal accounting system for the nine months ended September 30, 2018 from the financial information of the 2018 Audited Consolidated Financial Statements and the Issuer's internal accounting system for the financial year ended December 31, 2018, and adding the financial information of the Unaudited Interim Consolidated Financial Statements and the Company's internal accounting system for the nine months ended September 30, 2019. The unaudited consolidated income statement information and the other financial information presented for the twelve months ended September 30, 2019 have been prepared for illustrative purposes only and are not necessarily representative of our results of operations for any future period or our financial condition at any future date. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of our financial reporting and has not been audited or reviewed.

Non-Financial Operating Data

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

Rounding

Certain numerical figures set out in this Offering Memorandum, including financial information presented in millions or thousands and percentages describing market shares, have been subject to rounding adjustments and, as a result, the totals of the data in this Offering Memorandum may vary from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other information set forth in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" are calculated using the numerical data (in thousands) in the narrative description thereof.

EXCHANGE RATE INFORMATION

We publish our financial statements in euro. The following table sets forth, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate (London) expressed as U.S. dollars per €1.00. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The below rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this

Offering Memorandum. We make no representation that the euro or U.S. dollar amounts referred to in this Offering Memorandum have been, could have been or could, in the future, be converted into U.S. dollars or euro, as the case may be, at any particular rate, if at all.

The average rate for a year means the average of the Bloomberg Composite Rates on the last business 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 January 27, 2020 was $1.1015 per €1.00.

	Period end	Average	High	Low
		U.S. dollars per €1.00		
Year				
2015	1.0866	1.1032	1.1288	1.0560
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
Month				
July 2019	1.1075	1.1213	1.1286	1.1075
August 2019	1.0992	1.1123	1.1214	1.0992
September 2019	1.0900	1.1010	1.1074	1.0900
October 2019	1.1146	1.1058	1.1158	1.0938
November 2019	1.1016	1.1047	1.1162	1.0999
December 2019	1.1229	1.1112	1.1229	1.1055
January 2020 (through January 27, 2020)	1.1015	1.1180	1.1214	1.1015

SUMMARY

The following summary contains basic information about us and this offering and is qualified by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Offering Memorandum. This summary is not complete and does not contain all the information that you should consider before investing in the Notes. For a more complete understanding of this offering, we encourage you to read this entire Offering Memorandum carefully, including "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Business", "Regulation" and our financial statements and the notes to those financial statements contained elsewhere in this Offering Memorandum.

Overview

We are a leading specialty pharmaceuticals company headquartered in Greifswald, Germany, with an international footprint and a broad portfolio of more than 90 products across more than ten therapeutic areas, including cardiology, oncology and infectious diseases. We focus on acquiring well established, off-patent, branded legacy and niche originator pharmaceutical products with predictable cash flows from large pharmaceutical companies. Pharmaceutical companies regularly seek to dispose of these products to reduce the complexity of their product portfolio and because these products no longer fit their business model, even if still profitable. They seek reliable and experienced buyers, such as us, to dispose of these products given that maintaining market supply is paramount to mitigate potential reputational risk. We have a strong track record of ensuring uninterrupted supply, and are typically able to generate additional value from these well established, off-patent branded legacy and niche originator products by reducing complexity and costs throughout the value chain. We achieve that due to our lean setup, including outsourced manufacturing, as well as through our outsourced global distribution capabilities. Since our inception in 1998, we have established relationships with more than ten different pharmaceutical companies by acquiring their products. We believe that our track record of successful acquisitions and our proven ability to integrate new products into our business in a timely and seamless manner make us a preferred partner for many large pharmaceutical companies, such as AstraZeneca, Bristol-Myers Squibb and Roche.

We operate a lean business model focused on (i) selecting and acquiring suitable off-patent, branded niche or legacy originator products or product portfolios that fit our disciplined acquisition criteria, (ii) managing the transfer of the required approvals to market them across various countries and (iii) integrating them into our established value chain of contract manufacturing organizations ("**CMOs**") and distributors. With no own manufacturing facilities or sales force, our asset light business model typically enables us to reduce production as well as sales and marketing costs by outsourcing production and distribution of our products to third parties. Our large network of CMOs allows us to choose the partner which is able to offer the lowest production costs and best quality for a specific product or pharmaceutical form. In addition, we may be able to achieve economies of scale and negotiate favorable terms with CMOs by bundling the production of various products with the same CMO.

We distribute our products in more than 120 countries across six continents, predominantly through our extensive network of distribution partners, with many of whom we have long-standing relationships. Not maintaining our own distribution capabilities in the majority of the countries we operate in allows us to choose local distribution partners who we believe are best suited for a specific product and to focus on the most efficient distribution channel. At the same time, we may be able to realize efficiencies by bundling the distribution of various products with the same distribution partner.

Given our business model and the off-patent status of our products, we do not develop products and have no research and development ("**R&D**") activities of our own. Therefore, we are not exposed to the significant risks and upfront investments that are associated with the development of new pharmaceutical products. In addition, given that our products have typically been on the market and off-patent for a prolonged time, there is a very limited need to invest in product improvements, line extensions or similar measures.

Our sales are well diversified by geography, therapeutic area and product. The table below provides an indication of the share of total sales represented by our ten largest products in our five largest geographic market for the nine months ended September 30, 2019:

	Atacand	Dilatrend	Xenical	Lexotan	Cyme-vene	Visudyne	Kona-kion	Fungi-zone	Deursil	Vesanoid
Switzerland*	<1%	<1%	1%	9%	1%	5%	<1%	<1%	<1%	<1%
Sweden*	15%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Italy	<1%	3%	<1%	<1%	<1%	<1%	<1%	<1%	3%	<1%
France	<1%	<1%	<1%	<1%	<1%	<1%	<1%	2%	1%	<1%
Germany	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%

* Shares in sales of Xenical®, Lexotan®, Cymeveme® and Visudyne® in Switzerland as well as of Atacand® in Sweden are influenced by the geographic location of sellers under the transitional services agreements (Roche and Novartis in Switzerland and AstraZeneca in Sweden).

As a result of this diversification, we are not dependent on a single product or geography. Our products are used by a diverse customer base including consumers, doctors, pharmacies, hospitals, mail-order companies, buying groups, wholesalers and other service providers in the healthcare market, as well as public or private health insurance organizations. We estimate that our primary customer groups are physicians, hospitals and patients paying for their products 'out-of-pocket'. Our products typically also benefit from a loyal customer base which has used or prescribed the product for many years and, therefore, is less likely to switch to a different product. We believe that these "pull factors" are particularly characteristic of prescription drugs, sales of which represented approximately 94% of our sales for the nine months ended September 30, 2019 with approximately 5% being generated from the sale of OTC products. Finally, competition for our products is often limited or well-known. Our products have typically been off-patent for several years and the competitive landscape has settled by the time we acquire the products. This is because generic products are typically launched immediately after patent protection for the originator product expired. Accordingly, the sales decline for an originator product is most severe immediately following expiry of patent protection and hence, by the time we acquire a branded originator product, the risk of new products entering the market is relatively low, driven by non-compelling economics for new entrants given the niche or legacy nature of the sub-segment of the pharmaceutical industry in which we operate.

Our business has grown significantly in recent years. We have increased our revenues and EBITDA before non-recurring items from €132.5 million and €69.7 million, respectively, for the year ended December 31, 2016 to €460.6 million and €253.9 million, respectively, for the twelve months ended September 30, 2019. During the same period, we achieved an average EBITDA before non-recurring items margin of 53.4%. In addition, our asset light business model allowed us to realize a Cash Conversion Ratio of 64.1% for the twelve months ended September 30, 2019.

We believe that the future growth of our business is supported by a number of favorable long-term trends. We expect that there will continue to be attractive acquisition candidates available to us as a result of large pharmaceutical companies reducing the complexity of their portfolio and focusing on newer patented products. This expectation is underpinned by a substantial proportion of currently marketed pharmaceutical products for which patent protection will expire by 2024, a trend expected to continue in later years as "blockbuster" and other drugs lose patent protection, as well as the continuing trend toward mergers & acquisitions in the pharmaceutical industry, which we expect will result in the realignment of product portfolios. At the same time, we expect that the broader pharmaceutical industry will continue to grow in the future as a result of rising medical needs driven by a growing and ageing population, the availability of new and innovative products addressing previously unmet medical needs, the expansion in the awareness and availability of healthcare and increasing national income in emerging markets.

Our Strengths

Differentiated and low-risk business model given proven, mature products with a stable competitive environment and an established customer base

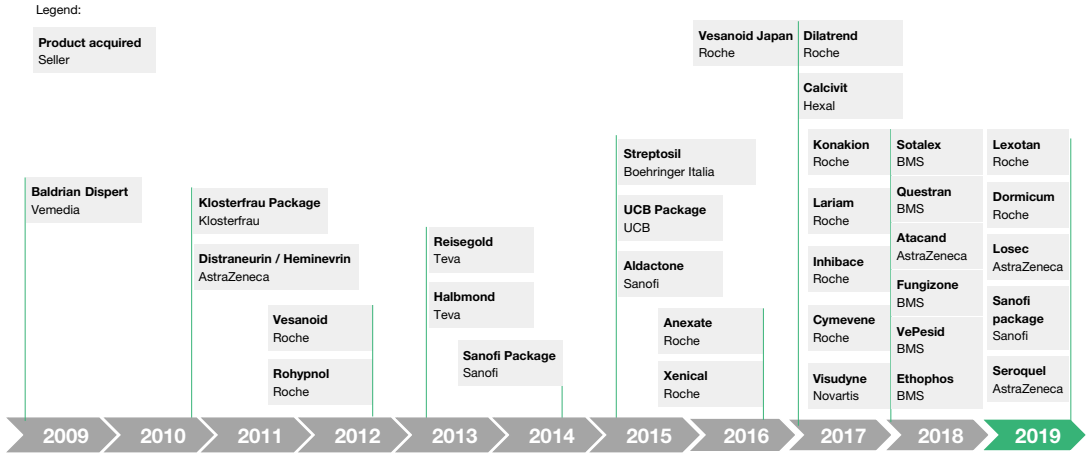
We focus on acquiring original, well established, off-patent branded legacy and niche originator pharmaceutical products which have been on the market for many years and for which patent protection expired several years ago. We believe such products offer attractive opportunities with limited risk, given the long prescription track record, well understood side effects and lower litigation risk. Such products are also characterized by stable customer bases and visibility on revenue streams, long phase-out periods and a strong "pull effect" (*i.e.*, limited to no marketing required as brands are well established and have a high degree of loyalty or familiarity with the prescriber or end user). We believe that these factors also reduce the risk of new competitors entering the market for our products, given the non-compelling economics for a new entrant, as the competitive landscape has settled and introducing a new product would entail significant costs.

Our product portfolio comprises well established, off-patent branded "legacy" originator products and "niche" originator products, sales of which each represented approximately half of our sales for the nine months ended September 30, 2019. Niche products benefit from limited or no competition due to the overall limited market size and scale constraints for generic companies and are unlikely to be replaced by new treatment alternatives. Legacy products are frequently higher volume drugs covering broader market segments and diseases, face more competition from generic products, as compared to the competition faced by niche products, given larger market size and earnings potential, but benefit from a strong "pull effect" due to the long track record in the market as the originator product. Our products are also predominantly prescription drugs and we believe that the "pull effect" is more prevalent for prescription drugs.

Given our products' long time in market and safety history, combined with sticky customer bases, high brand awareness and long phase-out periods, such branded niche and legacy originator products generate more predictable revenue and cash flows compared to new pharmaceutical products, while having limited drug-specific downside risks, such as litigation. As we do not engage in R&D, we are neither exposed to R&D risk nor to the upfront investments associated with R&D activities.

Leading position in most relevant markets and a preferred partner for global pharmaceutical companies with the ability to execute and integrate complex product acquisitions

With our extensive track record of acquisitions, ability to swiftly negotiate and execute acquisitions, global distribution partner network and knowledge of regulatory and pharmacovigilance matters, we believe we are a preferred partner for leading global pharmaceutical companies seeking to divest off-patent pharmaceutical products. Since 2003, when we were acquired by the Braun family and our current Chief Executive Officer and Chief Scientific Officer joined the Group, we have established relationships with more than ten different pharmaceutical companies by acquiring their products, including AstraZeneca, GlaxoSmithKline, Novartis, Teva, Roche and Bristol-Myers Squibb. We believe that we have particularly strong relationships with Roche and, more recently, AstraZeneca as we have acquired multiple products or products bundles from each of them during the last years.



These relationships are further strengthened by our ability to swiftly negotiate and execute acquisitions due to fast decision making processes, our dedicated team of experts and our long track record. We follow a

disciplined, standardized and proven acquisition process with acquisition criteria that have been largely unchanged for more than 15 years. Given our lean structures and the fact that our Chief Executive Officer and Chief Scientific Officer are also our shareholders, we are in a position to evaluate and agree acquisition opportunities quickly.

Large pharmaceutical companies are increasingly focused on divesting product bundles—across product types, therapeutic areas and geographies—instead of single product divestments. We believe that we are one of only a few companies with the knowhow and experience necessary to execute such complex product portfolio acquisitions in a timely and efficient manner. In addition, our global distribution network helps to ensure ongoing product availability in existing markets, which is a central decision-making factor for sellers seeking to minimize reputational risk from stock-out situations.

Due to these relationships and our track record of acquisitions, we believe we have been able to acquire products with strong positions in relatively large markets, in particular through our acquisitions of Xenical® (which we acquired in 2016), Dilatrend® (which we acquired in 2017), Atacand® (which we acquired in 2018) and Lexotan® (which we acquired in 2019), which we estimate to have market shares in the countries in which we distribute the relevant product of approximately 33%, 40%, 20% and 56%, respectively in the territory in which we market the respective product.

Ability to integrate new products into global network and create value

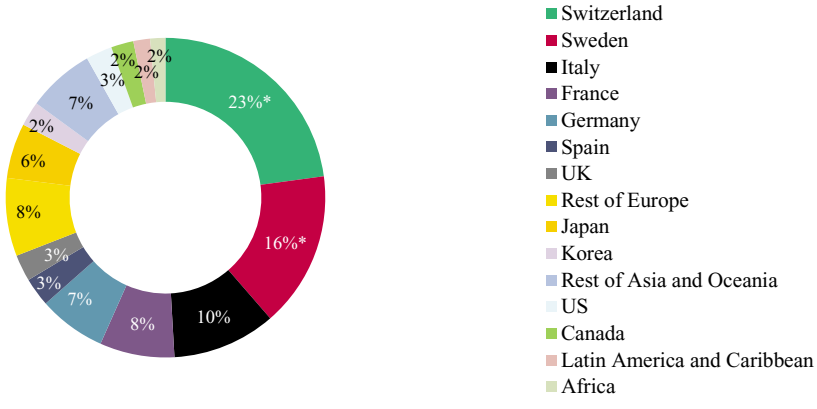
With over 80 acquisitions spanning a time period of more than 20 years, we have an extensive track record of integrating acquired products into our network thereby optimizing product potential and contribution margins. We have a large team of scientific and regulatory experts, which we have continued to expand in recent years in line with our growth. As of September 30, 2019, over 60% of our full time equivalent employees were active in our core functions regulatory, pharmacovigilance and quality control. This team of in-house experts manages the transfer of required marketing authorizations in a timely manner and enables us to integrate newly acquired products into our existing network of CMOs and distributors efficiently. We believe that this track record, combined with our strong in-house capabilities in critical core areas, make it relatively difficult for new entrants to replicate our business model.

We generate additional value from newly acquired products through a number of key levers, typically including reduced overhead costs (such as sales and marketing expenses) and complexity (for example through centralized marketing authorization management), lower production costs (by outsourcing production to CMOs), optimized manufacturing arrangements and active pricing strategies. Product cost optimization through outsourced production by CMOs and, in turn, reduced production costs is the most important value lever and typically accounts for most of the cost savings we are able to achieve.

Our distribution platform comprises global partners with distribution capabilities in more than 120 countries, which allows us to ensure product availability across existing markets. We are also able to realize additional potential from our products by choosing a distributor who is best suited for a given product or bundling the distribution of several products with the same distributor.

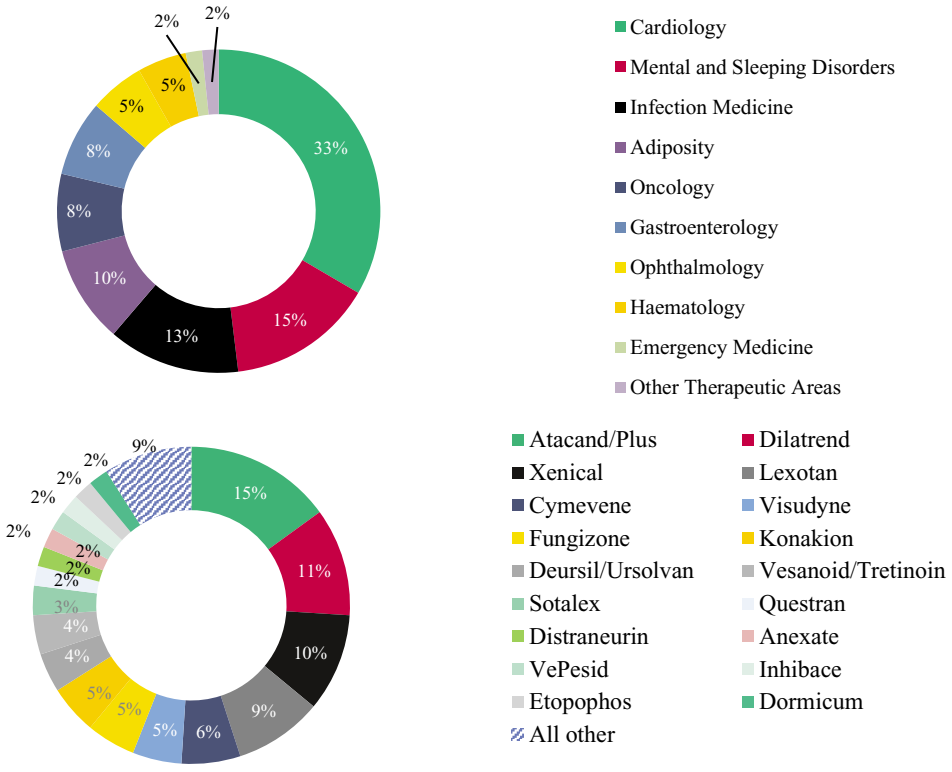
Diversified revenue base and good revenue visibility

We have a well-diversified sales base by geographic region, therapeutic area and product. The charts below show our sales by geography, therapeutic area and product for the nine months ended September 30, 2019:



* Includes sales under transitional services agreements with Roche (Switzerland) and AstraZeneca (Sweden). TSA-relates sales are recorded in the country of the pharmaceutical company that has divested the relevant product to us. Sales are

only recorded in the actual country, where the underlying sale occurred after transfer of the marketing authorization for the product in that country is completed. Please see "*Our Business—Acquisition Strategy—Integration of Acquired Products*" for more details.



Our diversified revenue base helps to limit our exposure to regulatory risk in individual healthcare markets by geography and therapeutic area. We estimate that approximately one-third of our revenues are linked to products for which patients pay out-of-pocket. In addition, our focus on prescription pharmaceutical products, which accounted for approximately 94% of our sales for the nine months ended September 30, 2019, provides us with good revenue visibility based on the established nature of the product in the market, the relative stability of prescription patterns and the more limited substitution risk due to physicians' and patients' familiarity with the product. Moreover, we estimate that more than half of our revenues are generated by sales of "niche" products with limited or no competition in the market.

Asset light business model with limited capital expenditure requirements and strong cash flow generation

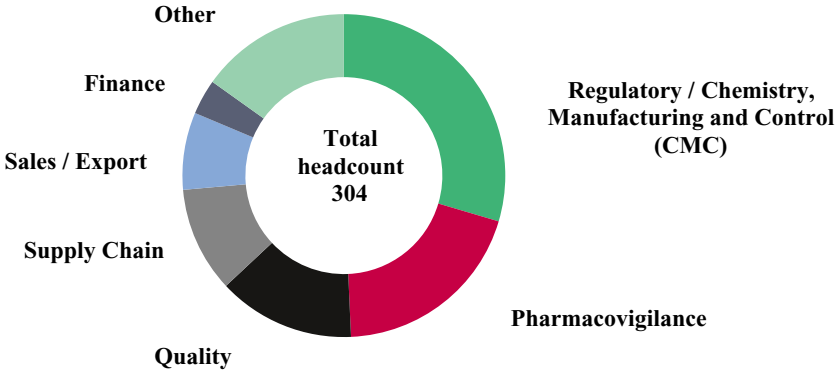
We operate an asset light business model characterized by no own manufacturing operations and no involvement in R&D activities. In addition, we outsource a significant portion of our distribution to third parties under long-term contracts, which allows us to maintain a low fixed cost base with limited capital expenditure requirements beyond investments in selective acquisitions of new products.

The combination of our low fixed cost base and limited capital expenditure requirements support a scalable business model and high EBITDA margins and cash conversion rates. In the financial years ended December 31, 2016, 2017 and 2018 and the nine months ended September 30, 2019, our EBITDA margin amounted to 52.5%, 56.2%, 58.4% and 53.9%, respectively. For the same periods, our Cash Conversion Rate was 79.8%, 69.2%, 56.2% and 76.1%, respectively.

We also believe that our business model is scalable and able to generate significant economies of scale. The complexity of integrating and managing new products is primarily driven by the number of marketing authorizations that are required to be transferred in each country that the product is sold in and the need to ensure uninterrupted supply rather than the sales volume of the acquired product. Our expertise, experience and knowhow in the transfer of marketing authorizations as well as our existing global distribution network therefore allows us to efficiently integrate new products at relatively low additional fixed costs. Since 2016, we have successfully transferred approximately 475 different marketing authorizations to us.

Highly qualified and committed management team with excellent track record

Our senior management team has been instrumental in the success of our buy-and-build strategy, with a track record of more than 90 successful acquisitions with a cumulative acquisition value exceeding €1.8 billion since the acquisition of Cheplapharm by the Braun family in 2003. Our senior management team is supported by dedicated managers who have significant experience in regulatory and pharmacovigilance affairs and a team of highly-qualified personnel, approximately 55% of which have an academic degree.



We are also a family-owned company and benefit from the long-term commitment of our shareholder, the Braun family, which include our Chief Executive Officer, Sebastian Braun, and Chief Scientific Officer, Bianca Juha, who have consistently supported our growth through the reinvestment of retained earnings in the business in lieu of dividends. They are complemented by our Chief Operating Officer, Edeltraud Lafer, who has nearly 30 years of experience in the pharmaceutical industry, and our Chief Financial Officer, Jens Rothstein, who has served in that role since 2012.

Our Strategy

Pursue selective growth opportunities through disciplined acquisitions and continue to strengthen our existing integration platform

We intend to continue to grow our business through disciplined and selective acquisitions of well established, off-patent branded niche and legacy originator pharmaceutical products in line with our time-tested acquisition strategy. As a result of upcoming patent expiries for a considerable amount of products, we expect to continue to find ample opportunities for acquisitions of new products in the medium term. We will continue to leverage our regulatory and pharmacovigilance expertise to identify new products with predictable revenues as well as limited risks and competition. In addition, we remain focused on products with potential for production cost optimization and contribution margin improvement.

Our acquisition strategy includes key criteria such as:

- **Valuation:** Less than 3.5 times annual sales;
- **Remaining economic life:** Products which we do not believe will be replaced and will remain economically viable for more than ten years;
- **Return on Investment:** We target an EBITDA margin of more than 50% with the aim to recover our investment within between 4 to 5.5 years (on an EBITDA basis and without taking into account potential improvements from complexity and cost reduction or other key value levers);
- **Presence of the pull effect:** Brands that are well established in the market and have a high degree of loyalty or familiarity with the end user, thereby requiring limited or no marketing efforts which are necessary for 'push' products;
- **Market position:** The product should have either a 'niche' position providing opportunity for growth or otherwise be available at extremely attractive prices such as legacy products;
- **Production:** Should be ensured in the long-term; and
- **Balanced product portfolio:** Maintaining our diversified product portfolio by limiting the incremental sales contribution from each acquired product to a size which is adequate compared to the revenue of our overall product portfolio at the time.

In line with our expected growth, we plan to continue to enhance our product integration capabilities, in particular by expanding our regulatory, pharmacovigilance and quality control functions. In order to manage our expected growth more efficiently, we intend to outsource certain functions for which third parties are better suited or utilize freelance work, as deemed appropriate.

Further strengthen market position and remain a partner of choice to leading pharmaceutical companies for the acquisition of off-patent, branded legacy and niche originator products

We seek to maintain and strengthen our relationships with the leading global pharmaceutical companies as we focus on expanding our market position as a leading specialty pharmaceutical company. We believe our longstanding experience and proven track record in the industry, together with our extensive global distribution network, make us a preferred partner to pharmaceutical companies seeking to divest well-established, off-patent branded legacy or niche originator products. We aim to further strengthen those relationships by maintaining our global distribution channels to ensure continued product availability in existing markets.

In addition, our background as a family-owned business with flat hierarchies and fast decision-making processes provides us with a competitive advantage when bidding for products and we intend to leverage this advantage further going forward.

Moreover, we will continue to build on our expertise and track record in marketing authorization transfers across the world to become the clear partner of choice for pharmaceutical companies focused on a global divestment of bundles of products rather than individual products. By strengthening our relationships with the leading global pharmaceutical companies, we believe we will be able to ensure a continuous, strong acquisition pipeline of potential product candidates and further improve our global market position.

Maintain a prudent financial policy based on high cash conversion rates and supported by our shareholders' long-term commitment

We intend to maintain a prudent financial policy based on high cash conversion rates and selective acquisitions and supported by the long-term commitment of our shareholders. We target a ratio of EBITDA after non-recurring items to Net Financial Indebtedness of 3.75x to 4.25x. We believe that our high Cash Conversion Rate, which was 79.8%, 69.2%, 56.2% for the years ended December 31, 2016, 2017 and 2018, respectively, and 76.1% for the nine months ended September 30, 2019, combined with the discretionary nature of our acquisition activities, would allow us to de-lever the Group swiftly, if these leverage ratios would temporarily be exceeded.

Our financial policy is further underpinned by the long-term commitments of our shareholders. Since its acquisition by the Braun family in 2003, the Company has never paid a dividend to its shareholders and we currently do not expect to pay dividends for the foreseeable future. We aim to maintain adequate liquidity at all times through our Revolving Credit Facility and significantly cash generative business model.

The Transactions

On the Issue Date, the Issuer will issue €500.0 million in aggregate principal amount of the Notes. The gross proceeds from the offering of the Notes together with cash on hand will be used to (i) repay the Bridge Facility and the Revolving Credit Facility in full (including, in each case, accrued and unpaid interest as well as premiums, prepayment fees and breakage costs, if any) (the "**Refinancing Indebtedness**"), (ii) finance the purchase price for the Sake Acquisition (as defined below) and (iii) pay costs, fees and expenses related to the offer of the Notes and the Sake Acquisition. The offering of the Notes and the use of proceeds therefrom are together referred to as the "**Transactions**". See "*Use of Proceeds*" and "*Capitalization*".

Recent Developments

Recent Acquisitions and Related Financing Transactions

In October 2019, we agreed to acquire a portfolio of four products (the "**Gold Portfolio**"), including in the therapeutic areas of oncology and incontinence, from Sanofi for an aggregate purchase price of €66.5 million. The acquisition includes marketing authorizations in certain European countries, Argentina, Canada, Japan and South Africa. Closing of the acquisition occurred on October 30, 2019 and we are in the process of integrating the new products into our product portfolio. The acquisition of the product

portfolio from Sanofi was financed from cash-in-hand as well as a drawdown under the Revolving Credit Facility.

In October and November 2019, respectively, we entered into two agreements to acquire Seroquel®, a product used to treat various mental disorders, from AstraZeneca for an aggregate purchase price of USD 213 million plus sales-contingent payments of up to USD 67 million until 2026. The acquisitions include marketing authorizations for Seroquel® in the United States, Europe, Canada and Russia. Closing of the acquisitions occurred in December 2019. However, AstraZeneca has agreed to fully service Seroquel® for three years following closing. Transfer of the relevant marketing authorizations and the integration of Seroquel® into our manufacturing and distribution network is therefore not expected to commence prior to three years after closing. The acquisition of Seroquel® was financed from cash-in-hand as well as a drawdown under the USD 124 million Bridge Facility entered into in November 2019.

In November 2019, we agreed to acquire a portfolio of ten products (the "**Sake Portfolio**") in the therapeutic areas of cardiology and intensive care from Sanofi for a provisional purchase price of €102 million (the "**Sake Acquisition**"). The provisional purchase price is subject to down-ward or up-ward adjustment depending on the development of net sales between signing and closing. In addition, we agreed to purchase the existing inventory from Sanofi at closing. Closing of the Sake Acquisition is subject to, among other things, receipt of merger clearance, and is currently expected to occur in the first half of 2020. We intend to finance the Sake Acquisition from the proceeds of the offering of the Notes. See "*Use of Proceeds*".

Also in November 2019, we agreed to purchase a 50% interest in ZR Pharma, a company that acquires and markets off-patent pharmaceutical products. The total investment amounts to a high single digit million figure. In December 2019, we agreed to acquire the marketing authorization and related trademarks for Lexotan®, one of our existing products, in Japan.

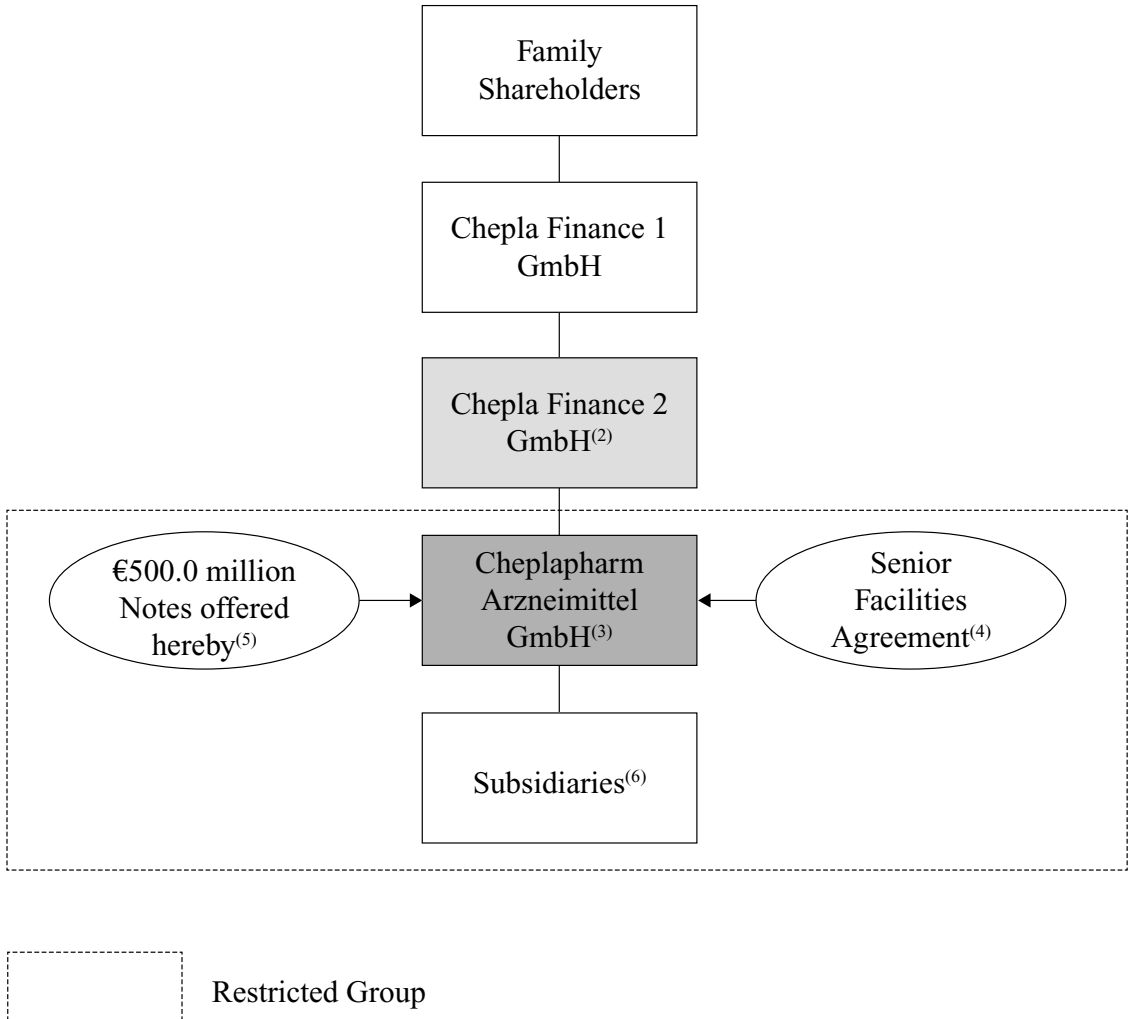
Current Trading

Based on management estimates, our revenue and EBITDA for the two months ended November 30, 2019 amounted to approximately €102 million and €47 million, respectively. We estimate our revenues to be significantly higher and our EBITDA to be slightly higher than in the comparable period in 2018. No quantitative information for the two months ended November 30, 2018 is available as the Company did not prepare IFRS compliant monthly management accounts in 2018. The increase was mainly due to the completion of the acquisitions of Dormicum® and Lexotan® (from Roche) in January 2019. While the acquisition of Losec® closed on September 30, 2019, our results for the two months ended November 30, 2019 do not include any revenue for Losec® as the relevant TSA only provides for quarterly payments.

The foregoing financial information is based on internal unaudited consolidated monthly accounts for the months of October and November 2019, which were prepared by and are the responsibility of our management. This financial information has not been audited, reviewed, compiled or the subject of any procedures by our independent auditors or any other audit firm and no opinion nor any other form of assurance is expressed with respect thereto. The foregoing financial information is inherently subject to modification during the preparation of our financial statements as of and for the year ended December 31, 2019. The presented financial information is not representative for any twelve-month period and should not be regarded as an indication, forecast or representation by us or any other person regarding our future financial performance for the fiscal year ended December 31, 2019. See "*Forward-Looking Statements*" and "*Risk Factors*" for a more complete discussion of certain factors that could affect our future performance and results of operations.

CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS

The following chart shows a simplified summary of our corporate and financing structure as of the date of this Offering Memorandum, adjusted to give effect to the Transactions. For a summary of the debt obligations identified in this diagram, please refer to the sections entitled "*Description of the Notes*", "*Description of Certain Financing Arrangements*" and "*Capitalization*".



(1) Our ultimate shareholders are Sebastian Braun, our Chief Executive Officer, and Bianca Juha, our Chief Scientific Officer, who each indirectly hold 50% of the shares in the Issuer. See "*Principal Shareholders*".

(2) The Parent Guarantor is a company with limited liability (*Gesellschaft mit beschränkter Haftung*) incorporated under the laws of Germany and will only be subject to certain covenants under the Indenture. It is a holding company without any business operations and its only material assets are the shares in the Issuer and claims under certain shareholder loans granted to the Issuer. As of the Issue Date, the Parent Guarantor will guarantee the notes on a senior, limited recourse basis and, as a result, the Guarantee will be limited to the proceeds from enforcement of the pledge over the issued share capital of the Issuer. See "*Description of the Notes—General—The Notes Guarantee*".

(3) The Issuer is a company with limited liability (*Gesellschaft mit beschränkter Haftung*) incorporated under the laws of Germany. The Issuer is the main operating entity of our Group. For the twelve months ended September 30, 2019, the Issuer (before consolidating effects) represented 100.4% of our consolidated EBITDA and, as of September 30, 2019, the Issuer represented 100.0% of our total assets. As of the Issue Date, all of the Issuer's subsidiaries will be Restricted Subsidiaries.

(4) The Issuer is party to the Senior Facilities Agreement as borrower. The Senior Facilities Agreement provides for Term Loan Facilities in an aggregate principal amount of €980 million which are fully drawn as of the date of this Offering Memorandum and the Revolving Credit Facility in an aggregate principal amount of €310 million, of which €294.6 million are drawn in cash as of the date of this Offering Memorandum. We intend to repay all amounts outstanding under the Revolving Credit Facility from the proceeds of the offering of the Notes without cancelling the related commitments under the Revolving Credit Facility. See "*Use of Proceeds*". The Senior Facilities Agreement is guaranteed by the Parent Guarantor on a senior, limited recourse basis and secured by liens over the same Collateral that will also secure the Notes on a *pari passu* basis. Pursuant to the terms of the Intercreditor Agreement, the liabilities under the Senior Facilities

Agreement will rank *pari passu* with the Notes. See "*Description of Certain Financing Arrangements—Senior Facilities Agreement*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

(5) The Issuer is offering €500.0 million aggregate principal amount of Notes. The Notes will be general senior obligations of the Issuer. As of the Issue Date, the Notes will be guaranteed on a senior basis with limited recourse by the Parent Guarantor and secured by (i) a first-priority pledge over all the shares in the Issuer, (ii) a first-priority assignment of claims under shareholder loans granted by the Parent Guarantor to the Issuer and its Restricted Subsidiaries, (iii) a first-priority assignment by the Issuer of payment claims against its Restricted Subsidiaries, (iv) a first-priority pledge over the Issuer's bank accounts kept in Germany and (v) a first-priority pledge over certain stock in listed companies held by the Issuer for investment purposes.

(6) The Issuer has two wholly-owned subsidiaries. Glenwood Verwaltung II UG (haftungsbeschränkt) is a non-operating company. Its only assets were the shares in Glenwood LLC, which was dissolved during 2019. Cheplapharm France SAS renders management and consulting services to the Issuer.

THE OFFERING

The following summary of the Offerings contain basic information about the Notes. It is not intended to be complete and it is subject to important limitations and exceptions. For a more complete description of the terms of the Notes, including certain definitions of terms used in this summary, see "Description of Certain Financing Arrangements" and "Description of the Notes".

Issuer	Cheplapharm Arzneimittel GmbH
Notes Offered	€500.0 million aggregate principal amount of senior secured notes due 2027.
Issue Date	On or about February 11, 2020.
Issue Price	100.0%, plus accrued interest, if any, from the Issue Date.
Maturity Date	February 11, 2027.
Interest Rate	3.500% per annum.
Interest Payment Dates	Interest on the Notes will be payable semi-annually in arrears on February 15 and August 15 of each year, commencing on August 15, 2020. Interest will accrue from the Issue Date.
Form and Denomination	The Issuer will issue the Notes on the Issue Date in global registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof maintained in book-entry form. Notes in denominations of less than €100,000 will not be available.
Ranking of the Notes	The Notes will: • constitute senior obligations of the Issuer; • rank equal in right of payment with all of the Issuer's existing and future obligations that are not subordinated in right of payment to the Notes (including obligations under the Senior Facilities Agreement and certain hedging obligations); • rank senior in right of payment to any existing and future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes; • be secured by the Collateral (as defined under *"—Security*" below) along with the obligations under the Senior Facilities Agreement and certain other obligations; • rank senior in right of payment to any existing and future subordinated Indebtedness of the Issuer; • be effectively senior in right of payment to any existing or future unsecured obligations of the Issuer, to the extent of the value of the Collateral that (as defined under *"—Security*" below) is available to satisfy the obligations of the Issuer under the Notes; • be effectively subordinated to any existing or future Indebtedness of the Issuer and its subsidiaries that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness; and • be structurally subordinated to all Indebtedness and obligations of the Issuer's subsidiaries.

Guarantee	On the Issue Date, the Issuer's obligations under the Notes will be guaranteed (the "**Guarantee**") on a senior basis with limited recourse by CheplaFinance 2 GmbH (the "**Parent Guarantor**"). However, the Parent Guarantor will only be subject to certain covenants under the Indenture. The Guarantee will be granted on a limited recourse basis and, as a result, it will be limited to the proceeds from enforcement of the pledge over the issued share capital of the Issuer. The Guarantee may be released under certain circumstances. See "*Risk Factors—Risks Related to the Notes—There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantee will be released automatically and under which the Guarantee will be released automatically, without the consent of the holders of the Notes or the consent of the Trustee*" and "*Description of the Notes—Release of Note Guarantees*". The Guarantee may also be subject to contractual obligations and legal limitations. See "*Risk Factors—The Guarantee and each security interest may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*" and "*Certain Limitations on Validity and Enforceability of the Guarantee and the Collateral and Certain Insolvency Law Considerations*".
Ranking of the Guarantee	The Guarantee will: • be a general senior, limited recourse obligation of the Parent Guarantor; • rank *pari passu* in right of payment with any existing and future Indebtedness of the Parent Guarantor that is not expressly subordinated in right of payment to the Guarantee, including its obligations under the Senior Facilities Agreement and certain hedging obligations; • rank senior in right of payment to all existing and future Indebtedness of the Parent Guarantor that is expressly subordinated in right of payment to the Guarantee; • be secured by the Collateral (as defined under *"—Security*" below) along with the obligations under the Senior Facilities Agreement and certain other obligations; • be effectively subordinated to any existing and future Indebtedness of the Parent Guarantor that is secured by property and assets that do not secure the Guarantee, to the extent of the value of the property and assets securing such other Indebtedness; • be effectively senior in right of payment to any existing or future unsecured obligations of the Parent Guarantor, to the extent of the value of the Collateral (as defined under *"—Security*" below) that is available to satisfy the obligations of the Parent Guarantor under the Guarantee; and • be structurally subordinated to any existing or future Indebtedness (including obligations to trade creditors) of the subsidiaries of the Parent Guarantor (other than the Issuer). The Guarantee will be subject to the terms of the Intercreditor Agreement and may be subject to release under certain circumstances.

Security, Enforcement of Security .	Subject to the Agreed Security Principles (as defined in the Senior Facilities Agreement) and certain perfection requirements, as of the Issue Date, the Notes will be secured by (i) a first-priority pledge over all the shares in the Issuer, (ii) a first-priority assignment of claims under shareholder loans granted by the Parent Guarantor to the Issuer and its Restricted Subsidiaries, (iii) a first-priority assignment by the Issuer of payment claims against its Restricted Subsidiaries, (iv) a first-priority pledge over the Issuer's bank accounts kept in Germany and (v) a first-priority pledge over certain stock in listed companies held by the Issuer for investment purposes (the "**Collateral**"), as described in more detail under "*Description of the Notes—General—Security*; *Release of 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 secured creditors pursuant to the Intercreditor Agreement. See "*Risk Factors—Risks Related to the Notes—Certain of the security interests granted in favor of the holders of the Notes will not rank pari passu with the security interests granted in favor of the lenders under the Senior Facilities Agreement and holders of the Notes are relying on the Intercreditor Agreement to achieve a first priority lien in respect of the Collateral securing the Notes*". The Collateral also secures the Senior Facilities Agreement and certain hedging obligations on a first-priority basis. The security interests over the Collateral or the enforcement thereof may be subject to certain significant legal limitations or subject to certain defenses under applicable law. See "*Risk Factors—The Guarantee and each security interest may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*" and "*Certain Limitations on Validity and Enforceability of the Guarantee and the Collateral and Certain Insolvency Law Considerations*". Applicable law may require that a security interest in certain assets can only be properly perfected and its priority retained through certain actions which, in the case of some Collateral, may not be completed until after the Issue Date. See "*Risk Factors—Risks Related to the Notes—The security interests in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral*". The security interests may be released under certain circumstances. See "*Risk Factors—Risks Related to the Notes—There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantee will be released automatically and under which the Guarantee will be released automatically, without the consent of the holders of the Notes or the consent of the Trustee*", "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Notes—General—Security; Release of Collateral*".
Use of Proceeds	The gross proceeds from the Offering together with cash on hand will be used to (i) repay the Refinancing Indebtedness (including accrued and unpaid interest as well as premiums, prepayment fees and breakage costs, if any), (ii) finance the purchase price for the Sake Acquisition and (iii) pay costs, fees and expenses related to the Transactions. See "*Use of Proceeds*".

Optional Redemption	The Issuer may redeem all or part of the Notes at any time on or after February 15, 2023 at the redemption prices described under "*Description of the Notes—Optional Redemption*". At any time prior to February 15, 2023, 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, to but not including the date of redemption, as described under "*Description of the Notes—Optional Redemption*". At any time prior to February 15, 2023, the Issuer may redeem at its option up to 40% of the aggregate principal amount of the Notes (including the original principal amount of any Additional Notes) with the net proceeds from certain equity offerings at a redemption price of 103.500% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to but not including the date of redemption, provided that at least 60% of the aggregate principal amount of the Notes (including the original principal amount of any Additional Notes) remains outstanding. At any time prior to February 15, 2023, the Issuer may in each calendar year redeem up to 10% of the original principal amount of the Notes (including the original principal amount of any Additional Notes) 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. See "*Description of the Notes—Optional Redemption*".
Tender Offers	In connection with any tender offer or other offer to purchase all of the Notes, if holders of not less than 90% of the aggregate principal amount of the then outstanding Notes validly tender and do not validly 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 validly withdrawn by such holders, the Issuer or such third party will have the right to redeem all Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price (excluding any early tender premium or similar payment) paid to each other holder of Notes. See "*Description of the Notes—Optional Redemption*".
Additional Amounts; Tax Redemption	Any payments made by or on behalf of the Issuer or any Guarantor in respect of the Notes or with respect to any Guarantee will be made without withholding or deduction for taxes in any relevant taxing jurisdiction unless required by law. Subject to certain exceptions and limitations, if the Issuer, any Guarantor or the paying agent is required by law to withhold or deduct such taxes with respect to a payment on any Note, the Issuer or such Guarantor will pay the additional amounts necessary so that the net amount received by each holder after such withholding is not less than the amount that would have been received in the absence of the withholding.

	If certain changes in the law of any relevant taxing jurisdiction become effective after the issuance of the Notes that would impose withholding taxes or other deductions on the payments on the Notes, and would require the Issuer or any Guarantor to pay additional amounts (as defined in "*Description of the Notes—Withholding Taxes*"), 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 thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of 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 make an offer to repurchase the outstanding Notes at a purchase price equal to 101% of their principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of repurchase. See "*Description of the Notes*".
Certain Covenants	The Indenture will restrict 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 so long as the Notes obtain and maintain an investment-grade rating. See "*Description of the Notes—Suspension of Covenants*". Each of the covenants in the Indenture will be subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants*".
Transfer Restrictions	The Notes and the Guarantee have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transferability and resale. See "*Notice to Investors*". We have not agreed to, or otherwise undertaken to, register the Notes or the Guarantee under the securities laws in any jurisdiction (including by way of an exchange offer).

No Established Market for the Notes	The Notes will be new securities for which there is currently no established trading market. Although the Initial Purchasers have advised us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, there is no assurance that an active trading market will develop for the Notes. Furthermore, the Notes will not have registration rights under the U.S. Securities Act.
Listing	Application will be made to The International Stock Exchange Authority Limited (the "**Authority**") for the listing of and permission to deal in the Notes on the Official List of The International Stock Exchange (the "**Exchange**"). There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained.
Governing Law	The Indenture, the Notes and the Guarantee will be 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 will be governed by German law.
Certain U.S. Federal Income Tax Considerations	For a discussion of certain U.S. federal income tax consequences of an investment in the Notes, see "*Taxation—Certain U.S. Federal Income Tax Considerations*". You should consult with your own tax advisor to determine the U.S. federal, state, local and other tax consequences of an investment in the Notes.
Book-Entry and Form	The Notes will be represented on issue by global notes, which we expect will be delivered through Euroclear and Clearstream. See "*Book-Entry, Delivery and Form*".
Trustee	Deutsche Trustee Company Limited.
Security Agent	Deutsche Bank Luxembourg S.A.
Paying Agent	Deutsche Bank AG, London Branch.
Transfer Agent and Registrar	Deutsche Bank Luxembourg S.A.
Listing Agent	Carey Olsen Corporate Finance Limited.

Risk Factors

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

SUMMARY FINANCIAL AND OTHER INFORMATION

The following tables set forth summary historical consolidated financial information of the Company as of and for the years ended December 31, 2016, 2017 and 2018 and as of and for the nine months ended September 30, 2018 and 2019 as well as for the twelve months ended September 30, 2019.

The unaudited consolidated income statement information and the other financial information presented for the twelve months ended September 30, 2019 have been derived by subtracting the comparative financial information of the Unaudited Interim Consolidated Financial Statements and the Company's internal accounting system for the nine months ended September 30, 2018 from the financial information of the 2018 Audited Consolidated Financial Statements and the Company's internal accounting system for the financial year ended December 31, 2018, and adding the financial information of the Unaudited Interim Consolidated Financial Statements and the Company's internal accounting system for the nine months ended September 30, 2019. The unaudited consolidated income statement information and the other financial information presented for the twelve months ended September 30, 2019 have been prepared for illustrative purposes only and are not necessarily representative of our results of operations for any financial year or for any future period or our financial condition at any future date. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of our financial reporting and has not been audited or reviewed.

The historical financial information marked as "audited" as of and for the fiscal year ended December 31, 2018 is extracted from the 2018 Audited Consolidated Financial Statements. The historical financial information marked as "audited" as of and for the fiscal year ended December 31, 2017 is extracted from the 2017 Audited Consolidated Financial Statements and the historical financial information marked as "audited" as of and for the fiscal year ended December 31, 2016 is extracted from the comparative financial information for the prior year period presented in the 2017 Audited Consolidated Financial Statements. The financial information as of and for the nine months ended September 30, 2019 and 2018 is taken or derived from the Unaudited Interim Consolidated Financial Statements or from the Group's accounting records.

The following tables also set forth certain as adjusted consolidated financial information, after giving effect to the Transactions (including the application of the proceeds as set forth under "*Use of Proceeds*").

The financial information marked as "audited" in tables in this Offering Memorandum is extracted from the Audited Consolidated Financial Statements. Financial information marked as "unaudited" in tables in this Offering Memorandum is not extracted from the Audited Consolidated Financial Statements but is either extracted from the Unaudited Interim Consolidated Financial Statements or the Company's internal accounting system or is based on calculations of figures of the abovementioned sources.

You should read the information set forth below in conjunction with the sections "*Presentation of Financial and Other Information*", "*Use of Proceeds*", "*Capitalization*", "*Selected Consolidated Financial Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Consolidated Financial Statements, including the notes thereto, included elsewhere in this Offering Memorandum.

Summary Consolidated Income Statement

	Year ended December 31,			Nine months ended September 30,		Twelve months ended September 30,
	2016	2017	2018	2018	2019	2019
			in € thousands			
		(audited)		(unaudited)		(unaudited)
Revenue	132,535	236,843	314,710	203,027	348,943	460,626
Change in inventories	0	10,831	3,896	117	23,588	27,367
Other operating income	167	884	15,879	4,478	2,544	13,945
Cost of materials	(41,900)	(75,631)	(95,610)	(56,952)	(128,393)	(167,051)
Personnel expenses	(6,636)	(10,542)	(15,652)	(11,005)	(14,600)	(19,247)
Amortization, depreciation and impairments	(39,020)	(76,459)	(103,738)	(79,947)	(109,159)	(132,950)
Other operating expenses	(14,576)	(29,519)	(39,364)	(31,050)	(44,060)	(52,374)
Results of operating activities	**30,570**	**56,407**	**80,121**	**28,668**	**78,863**	**130,316**
Net income/(loss) from investments	95	1,584	3,397	(1,206)	556	5,159
Interest income	55	46	31	19	15,891	15,903
Interest expenses	(5,956)	(17,732)	(67,205)	(49,549)	(57,345)	(75,001)
Net finance cost	**(5,806)**	**(16,102)**	**(63,777)**	**(50,736)**	**(40,898)**	**(53,939)**
Earnings/(loss) before income taxes	**24,764**	**40,305**	**16,344**	**(22,068)**	**37,965**	**76,377**
Taxes on income	(7,067)	(13,145)	(6,497)	3,156	(18,071)	(27,724)
Earnings/(loss) after income taxes	**17,697**	**27,160**	**9,847**	**(18,912)**	**19,894**	**48,653**

Summary Consolidated Statement of Financial Position

	As of December 31,			As of September 30,
	2016	2017	2018	2019*
		in € thousands (audited)		(unaudited)
Assets				
Non-current assets				
Intangible assets	330,668	384,120	779,703	1,115,343
Property, plant and equipment	3,932	4,345	9,963	12,908
Other financial assets	0	4,208	6	6
Deferred tax assets	86	0	336	0
Other non-current assets				
Non-financial assets	160	0	—	—
Derivatives	204	68	40	29
Total non-current assets	**335,050**	**392,741**	**790,048**	**1,128,286**
Current assets				
Inventories	20,304	37,141	79,241	98,612
Trade receivables	32,419	52,339	113,950	119,384
Receivables from affiliated companies	127	0	—	2,547
Income tax assets	262	256	32	0
Other current assets				
Non-financial assets	1,162	3,983	3,825	5,290
Financial assets	249	2,316	1,282	386
Securities	2,836	4,574	4,041	4,460
Bank balances and cash-in hand	33,534	42,504	86,363	21,162
Total current assets	**90,893**	**143,113**	**288,734**	**251,841**
Total assets	**425,943**	**535,854**	**1,078,782**	**1,380,127**
Equity and Liabilities				
Equity				
Share capital	25	25	25	25
Net profit brought forward	50,865	68,562	95,537	105,384
Other comprehensive income	733	315	467	0
Consolidated net profit	17,697	27,160	9,847	19,894
Total equity	**69,320**	**96,062**	**105,876**	**125,303**
Non-current liabilities				
Loans granted by related parties	36,544	36,607	0	0
Mezzanine loan notes	40,679	63,426	0	0
Other financial debts	195,165	183,192	818,835	1,097,395
Liabilities to affiliated companies	—	—	32,129	30,129
Deferred tax liabilities	24,828	32,952	33,848	37,144
Other financial liabilities	268	290	5,654	19,539
Total non-current liabilities	**297,484**	**316,467**	**890,466**	**1,184,207**
Current liabilities				
Other financial debts	43,506	98,324	7,562	3,725
Trade payables	12,706	14,364	44,763	41,987
Contractual liabilities	—	—	204	0
Liabilities to affiliated companies	728	752	1	0
Income tax liabilities	1,158	5,729	8,379	16,589
Other liabilities				
Non-financial liabilities	775	3,630	2,437	1,073
Financial liabilities	266	526	19,094	7,243
Total current liabilities	**59,139**	**123,325**	**82,440**	**70,617**
Total equity and liabilities	**425,943**	**535,854**	**1,078,782**	**1,380,127**

* Does not yet reflect the acquisitions of the Gold Portfolio, Seroquel® and the Sake Portfolio, which we acquired or agreed to acquire after September 30, 2019. The purchases prices for these acquisitions amounted to €66.5 million, USD213 million and €102 million, respectively. See "*Summary—Recent Developments—Recent Acquisitions and Related Financing Transactions*".

Summary Consolidated Cash Flow Statement

	Year ended December 31,			Nine months ended September 30,	
	2016	2017	2018	2018	2019
			in € thousands		
		(audited)		(unaudited)	
Cash flow from operating activities	**54,070**	**97,379**	**98,668**	**67,699**	**140,019**
Cash flow from investing activities	**(226,125)**	**(135,095)**	**(466,924)**	**(493,962)**	**(453,015)**
Cash flow from financing activities	**188,044**	**46,132**	**412,643**	**416,476**	**249,250**
Net changes in cash funds	15,989	8,416	44,387	(9,787)	(63,746)
Cash funds at the end of the period	32,131	40,491	84,908	30,734	21,162

Summary Other Financial Data

	As of or for the year ended December 31,			As of or for the nine months ended September 30,		As of or for the twelve months ended September 30,
	2016	2017	2018	2018	2019	2019
				in € millions		
		(unaudited)		(unaudited)		(unaudited)
Other Financial Data						
EBITDA[(1)]	69.6	132.9	183.8	108.6	188.1	263.3
EBITDA margin (in %)[(2)]	52.5	56.2	58.4	53.5	53.9	57.2
EBITDA before non-recurring items[(1)]	69.7	132.7	169.6	104.7	189.0	253.9
EBITDA before non-recurring items margin (in %)[(2)]	52.8	56.0	54.6	52.2	54.2	55.3
Adjusted EBITDA[(3)]	—	—	—	—	—	443.4
Free Cash Flow[(4)]	55.6	91.8	95.3	76.4	143.8	162.7
Cash Conversion Rate (in %)[(5)]	79.8	69.2	56.2	73.0	76.1	64.1
Net Financial Indebtedness[(6)]	243.0	297.9	736.0	—	1,075.5	1,075.5
				in € millions, unless stated otherwise		
As Adjusted* Financial Data						
As adjusted Net Financial Indebtedness[(6)]						1,462.2
As adjusted cash interest expense[(7)]						55.3
Ratio of *as adjusted* Net Financial Indebtedness[(6)] to Adjusted EBITDA[(3)]						3.3x
Ratio of *as adjusted* cash interest expense[(7)] to Adjusted EBITDA[(3)]						8.0x

* Gives effect to the Transactions (including the application of the proceeds as set forth under "*Use of Proceeds*").

(1) We define EBITDA as results of operating activities before amortization, depreciation and impairments. EBITDA before non-recurring items represents EBITDA as adjusted for the adjustments set out below which management considers to be non-recurring in nature, as we believe such costs are not reflective of the ongoing performance of our business. We present EBITDA and EBITDA before non-recurring items as supplemental measures of our operating performance. We believe that EBITDA and EBITDA before non-recurring items are useful to investors in evaluating our operating performance. Other companies may calculate EBITDA and EBITDA before non-recurring items differently than we do. Therefore, you should exercise caution in comparing EBITDA and EBITDA before non-recurring items as reported by us to EBITDA or EBITDA before non-recurring items of other companies. EBITDA and EBITDA before non-recurring items are not measurements of financial performance under IFRS and should not be considered as alternatives to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. EBITDA and EBITDA before non-recurring items, as presented in this Offering Memorandum, may differ from, and may not be comparable to, "Consolidated EBITDA" contained in "*Description of the Notes*" and in the Indenture. We present EBITDA and EBITDA before non-recurring items for informational purposes only. There is no assurance that items we have identified for adjustment as non-recurring will not recur in the future or that similar items will not be incurred in the future. EBITDA and EBITDA before non-recurring items may not give an accurate or complete picture of our financial condition or results of operations for the periods presented and may not be comparable to our Consolidated Financial Statements or the other financial information included in this Offering Memorandum and should not be relied upon when making an investment decision. EBITDA and EBITDA before non-recurring items have limitations as analytical tools and should not be considered in isolation. See

"*Presentation of Financial and Other Information*". The following table provides a reconciliation of results of operating activities to EBITDA and EBITDA to EBITDA before non-recurring items for the periods indicated:

	Year ended December 31,			Nine months ended September 30,		Twelve months ended September 30,
	2016	2017	2018	2018	2019	2019
	(unaudited, unless otherwise indicated)			in € millions (unaudited)		(unaudited)
Results of operating activities	**30.6***	**56.4***	**80.1***	**28.7**	**78.9**	**130.3**
Amortization, depreciation and impairments*	39.0*	76.5*	103.7*	79.9	109.2	133.0
EBITDA	**69.6**	**132.9**	**183.8**	**108.6**	**188.1**	**263.3**
Legal and other advisory fees[(a)]	0.1	0.1	0.4	0.2	0.9	1.1
(Gains) and losses from disposals[(b)]	0.0	(0.3)	(14.6)	(4.1)	—	(10.5)
EBITDA before non-recurring items	**69.7**	**132.7**	**169.6**	**104.7**	**189.0**	**253.9**

* Audited

(a) Reflects the elimination of legal and other advisory fees incurred in connection with certain strategic initiatives, corporate reorganizations and financing transactions. Does not include legal and other advisory fees incurred in connection with the acquisition of new products. Legal and other advisory costs for the year ended December 31, 2018 and the nine months ended September 30, 2018 mainly comprise financial advisory, legal and other fees incurred in connection with the establishment of the Term Loan Facilities and Revolving Credit Facility in 2018 (€0.2 million) and legal and other professional fees incurred in connection with the sale of the shares in Clearum GmbH (€0.2 million). Legal and other advisory costs for the nine months ended September 30, 2019 mainly comprise legal fees and rating expenses incurred in connection with the increase of the Term Loan Facilities in June 2019 (€0.8 million).

(b) Reflects adjustments to eliminate the effects of disposals of fixed and intangible assets. In the year ended December 31, 2018, we recorded gains of €10.4 million in connection with the sale of the marketing authorization and related trademarks for Anexate® in Japan and of €3.9 million in connection with the sale of the marketing authorization and related trademarks for Dilatrend® in Turkey as well as for Lanitop®/Talidat® (€0.3 million).

(2) EBITDA margin and EBITDA before non-recurring items margin represents EBITDA or EBITDA before non-recurring items, as applicable, divided by revenue.

(3) Adjusted EBITDA for the twelve months ended September 30, 2019 represents EBITDA before non-recurring items as adjusted for the estimated EBITDA contribution of the Recently Acquired Products, which we acquired or agreed to acquire at various points of time between October 1, 2018 and the date of this Offering Memorandum. The estimated contribution to EBITDA before non-recurring items excludes the EBITDA attributable to a Recently Acquired Product from the relevant closing date of the acquisition to September 30, 2019, since, commencing with the respective closing date, the respective Recently Acquired Products were part of our consolidation process and are therefore already included in EBITDA before non-recurring items. Total actual EBITDA contribution of the Recently Acquired Products will be lower than the estimated Adjusted EBITDA contribution indicated in the table below.

The following provides an overview of the estimated EBITDA contribution of each Recently Acquired Product for the twelve months ended September 30, 2019:

Recently Acquired Product(s)	Closing date	Estimated contribution to Adjusted EBITDA for the twelve months ended September 30, 2019 (in € million)
Dormicum®	January 4, 2019	1.2
Lexotan®	January 4, 2019	8.8
Losec®	September 30, 2019	57.6
Gold Portfolio (Profact®, Suprefact®, Suprecur®, Suprecur MP®, Anandron®, Ditropan®, Dridase® and Kryptocur®)	October 30, 2019	14.8
Seroquel®	December 2/13, 2019	80.9
Sake Portfolio (10 products in the therapeutic areas of cardiology and intensive care)	First half of 2020*	26.2

* Expected

The Adjusted EBITDA information for the Recently Acquired Products is for informational purposes only. This information does not represent the results the Recently Acquired Products would have achieved had each of the acquisitions occurred on October 1, 2018. The calculations of Adjusted EBITDA for each of the Recently Acquired Products are based in part on information provided by the seller of the relevant Recently Acquired Product, due diligence and management estimates. The EBITDA contribution of each of the Recently Acquired Products will be different from the respective Adjusted EBITDA contribution indicated in the table above due to, among other things, the declining revenue profile of the Recently Acquired Products which will result in lower EBITDA, particularly for products that have lost patent protection relatively recently and are therefore subject to steeper sales declines, such as Seroquel®, as well as other circumstances set forth under "*Risk Factors*". According to IMS, sales of Seroquel® declined at a CAGR of 28.0% in Europe and Russia and 55.9% in the United States and

Canada between 2015 and 2018. This compares to declines of 8%, 7.4% and 14.8%, in our markets during 2015-2018 for Losec®, the Gold Portfolio and the Sake Portfolio, respectively (according to IMS). See also "*Risk Factors—Risks Related to Our Business and Products—We face risks associated with our strategy of acquiring new products*". The Adjusted EBITDA contributions have not been, and cannot be, audited, reviewed or verified by any independent accounting firm. This information is inherently subject to risks and uncertainties and may not give an accurate or complete picture of the financial condition or results of operations attributable to the relevant Recently Acquired Products for periods prior to their acquisition, may not be comparable to our Consolidated Financial Statements or the other financial information included in this Offering Memorandum and should not be relied upon when making an investment decision. The Adjusted EBITDA contribution of the Recently Acquired Products is included in this Offering Memorandum as we believe that it presents a useful indication of the results of operating activities of our present product portfolio; however, Adjusted EBITDA is not a measurement of financial performance under IFRS and should not be considered as an alternative to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS.

The Adjusted EBITDA information for the twelve months ended September 30, 2019 was prepared using the following methodology, which is similar to the methodology we applied when valuing the Recently Acquired Products in connection with our decision to purchase the Recently Acquired Products:

- We determined the revenue for each Recently Acquired Product on the basis of the historical revenue for such product as provided to us by the seller (converted into euro where necessary). Such information is typically based on management information which is neither reviewed nor audited by an independent auditor and does not take into account any change in revenue since the end of the period for which the seller provides us with such information.

- We determined the cost of materials and other selling expenses attributable to an Recently Acquired Product on the basis of the historical cost of materials and other selling expenses provided to us by the seller (converted into euro where necessary). Such information is typically based on management information which is neither reviewed nor audited by an independent auditor. It also does not take into account any cost savings or other effects of efficiency programs which we may implement after transfer of the relevant marketing authorization and the end of the TSA phase.

- For the period of time during which we expect that a product will be distributed by the seller under a TSA, we deduct the service fees payable to the seller as agreed with the seller in the asset purchase agreement relating to the relevant Recently Acquired Product.

- We determined personnel expenses and other operating expenses attributable to an Recently Acquired Product by estimating the additional expenses for scientific personnel (such as in the areas of regulatory affairs, pharmacovigilance or quality control) that we expect to incur in connection with the relevant Recently Acquired Product. The amount of additional personnel expenses we expect to incur depends on, among other things, the number of marketing authorizations, the countries in which we expect to market a Recently Acquired Product as well as the indication for the relevant Recently Acquired Product. Our estimate does not take into account other overhead expenses that may be (indirectly) associated with a Recently Acquired Product.

- The Adjusted EBITDA contribution of each Recently Acquired Product is then pro-rated to only reflect the period of time from October 1, 2018 to the closing of the relevant acquisition.

(4) Free Cash Flow represents EBITDA before non-recurring items plus/less decrease/increase in inventories, plus/less decrease/increase in trade receivables, plus/less decrease/increase in other current assets, plus/less increase/decrease in trade payables, plus/less increase/decrease in other liabilities, plus/less change in financial assets less acquisitions of property, plant and equipment. We present Free Cash Flow as a supplemental measure of our operating performance. We believe that Free Cash Flow is useful to investors in evaluating our operating performance. Other companies may calculate Free Cash Flow differently than we do. Therefore, you should exercise caution in comparing Free Cash Flow as reported by us to Free Cash Flow of other companies. Free Cash Flow is not a measurement of financial performance under IFRS and should not be considered as an alternative to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. Free Cash Flow has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. See "*Presentation of Financial and Other Information*"

The following table provides a reconciliation of EBITDA before non-recurring items to Free Cash Flow for the periods indicated:

	Year ended December 31,			Nine months ended September 30,		Twelve months ended September 30,
	2016	2017	2018	2018	2019	2019
	in € millions					
	(unaudited, unless otherwise indicated)			(unaudited)		(unaudited)
EBITDA before non-recurring items	**69.7**	**132.7**	**169.6**	**104.7**	**189.0**	**253.9**
Increase/decrease in inventories*	(7.3)	(16.1)	(42.1)	(25.7)	(21.2)	(37.6)
Increase/decrease in trade receivables*	(12.9)	(18.6)	(61.9)	(15.3)	(13.7)	(60.3)
Increase/decrease in other current assets*	(0.2)	(4.4)	1.2	2.1	(2.8)	(3.7)
Increase/decrease in trade payables*	7.2	0.9	29.6	9.9	(2.9)	16.8
Increase/decrease in other liabilities*	(0.3)	2.2	5.4	3.9	(0.5)	1.0
Acquisition of financial assets*	—	(4.2)	—	—	—	—
Acquisition of property, plant and equipment*	(0.6)	(0.7)	(6.5)	(3.2)	(4.1)	(7.4)
Free Cash Flow	**55.6**	**91.8**	**95.3**	**76.4**	**143.8**	**162.7**

* Audited for the years ended 2016, 2017 and 2018

(5) Cash Conversion Rate represents Free Cash Flow divided by EBITDA before non-recurring items.

(6) Net Financial Indebtedness represents Financial Indebtedness less securities and bank balances and cash-in-hand. *As Adjusted* Net Financial Indebtedness gives *pro forma* effect to the Transactions, as set out in "*Use of Proceeds*", as if such transactions had taken place on September 30, 2019.

The following table provides the calculation of Net Financial Indebtedness for the periods shown:

	As of December 31,			As of September 30,
	2016	2017	2018	2019
	in € thousands			
	(audited, unless stated otherwise)			(unaudited)
Current other financial debts	43,506	98,324	7,562	3,725
Non-current other financial debts	195,165	183,192	818,835	1,097,395
Mezzanine loan notes	40,679	63,426	0	—
less Securities	2,836	4,574	4,041	4,460
less Bank balances and cash-in-hand	33,534	42,504	86,363	21,162
Net Financial Indebtedness (unaudited)	**242,980**	**297,864**	**735,993**	**1,075,498**

(7) *As adjusted* cash interest expense gives *pro forma* effect to Transactions, as set out in "*Use of Proceeds*", and the repricing of the Term Loan Facility (see "*Description of Certain Financing Arrangements—Senior Facilities Agreement—Interest and Fees*"), as if such transactions had taken place on October 1, 2018.

RISK FACTORS

An investment in the Notes 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 Notes. The risks and uncertainties we describe below are not the only ones we face. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, financial condition and results of operations. If any of the possible events described below were to occur, our business, financial condition and results of operations could be materially and adversely affected. If that happens, the trading prices of the Notes could decline, we may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment.

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

Risks Related to Our Industry and Market

We operate in a competitive industry.

The sale and distribution of pharmaceutical products is a highly competitive industry which is driven by a variety of factors, including price, local market expertise, reliability of product quality, efficiency of distribution channels, breadth of product portfolio, our ability to meet and manage applicable regulation and marketing authorizations, product purchase prices and sale prices, efficacy of marketing, quality of packaging and levels of brand loyalty.

Many of our competitors are well-known pharmaceutical companies with substantial financial and other resources. Companies with more resources may have a greater ability to conduct the development work necessary to obtain marketing authorizations. Our products could, for example, be rendered obsolete or uneconomical through the development of new products or technological advances in manufacturing or production by our competitors. Our competitors' products may also be, or be perceived as being, more effective or more efficiently marketed and sold than our products. Our competitors may also be able to sustain a deliberate substantial reduction in the price of their products or services for longer periods. This is likely to result in significant price pressure in an increasingly commoditized market, which, in turn, may reduce our sales and market share. In addition, competition in certain of our markets is particularly intense due to the use of public tenders. Tender systems for pharmaceutical products have been implemented (by both public and private entities) in a number of significant markets in which we operate in an effort to lower prices. Under such tender systems, governments or private entities do not directly set the prices of pharmaceutical products, rather pharmaceutical companies submit bids that establish prices for pharmaceutical products and governments or private entities select a winning bidder. These measures affect competition, marketing practices and reimbursement of drugs.

The pharmaceutical industry is also characterized by continuous product development and technological change. The introduction of a new pharmaceutical product in any of our product markets may make it difficult for us to increase our market share, retain existing competitive positions. If we fail to maintain our competitive position or if any of our competitors engage in pricing competition with us, there could be a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

Existing and future healthcare cost-containment reform measures by government health authorities or government-sponsored healthcare systems could adversely affect our business.

In various countries where we operate, government health authorities provide healthcare at low direct cost to consumers and regulate pharmaceutical prices or patient reimbursement levels to control costs for the government-sponsored healthcare system. The continuing increase in healthcare expenditure has therefore been the subject of considerable government attention in many of the countries in which we operate, particularly as public resources have been stretched since the global economic crisis. Further, in recent years, the increasing average age of the population and the associated increasing demand for pharmaceutical products has led to rising healthcare costs.

Increasing expenditure on healthcare has been the subject of considerable public attention. In recent years, many countries across the globe have discussed or implemented a measure of healthcare reform. The primary focus of these reforms was to introduce cost-containment measures and optimize governmental

healthcare spending, particularly for prescription drugs, which account for the significant majority of our sales. Measures implemented in line with these reforms are fragmented and vary by country. Certain European countries have introduced numerous austerity measures to lower healthcare spending, including mandatory discounts, clawbacks and price referencing rules. In certain cases, reimbursements for high-priced drugs were refused. The United Kingdom and Germany, for example, introduced new systems to determine cost effectiveness of drugs, which will decide the reimbursement level for a drug. In Spain the government's pricing and reimbursement policy is focused on cost-containment measures as they attempt to reduce the financial deficit, which has repeatedly resulted in price cuts, reductions to wholesale and retail margins and cuts to the list of reimbursable drugs since 2000; we believe the pace at which these regulatory measures are enacted has accelerated in recent years. The Spanish government has also enacted four royal decree-laws since 2010 that have directly affected the pharmaceutical industry by means of price reduction of older pharmaceutical products, mandatory rebates on drugs, and limitations for the numbers of products eligible for a reimbursement under the Spanish National Health Service. Furthermore, the National Health Service in the United Kingdom and the Italian National Health Service have also introduced mandatory rebates affecting all of our products. The Russian government has released a list of vital and essential pharmaceuticals ("**VEP**") which are subject to mandatory price caps. Overpricing can result in fines and other penalties. Certain countries also cut their healthcare expenditure budgets or fixed them at a particular amount. Furthermore, mandatory price cuts were introduced in respect of off-patent, generic and patented drugs, including for Dilatrend® in Switzerland, Taiwan, Thailand, Belgium and Russia and Cymevene® in Turkey and Colombia.

Any such cost control initiatives could decrease the price that we receive for the pharmaceutical products that we currently distribute or we may acquire in the future. As a result, it may no longer be economical to market certain or all of our products in a country. The governments of the countries where we operate may, in the future, implement further regulations that impose additional pressure on the price of pharmaceutical products.

Any of the factors described above could have a material adverse effect on our financial condition, results of operations and on our ability to perform our obligations under the Notes.

We are subject to extensive governmental regulation and changes in these regulations, or failure by us or any of our third party manufacturers or distributors to comply with regulations, could harm our business.

We and the third-party manufacturers and distributors on which we rely are subject to extensive, complex, costly and evolving regulations. These regulations govern, among other things, the development, authorization, procurement of contract manufacturing, wholesale distribution and supply, pharmacovigilance and promotion of our products. See "*Regulation*". While the regulations in the European Union are to a certain extent harmonized, the regulatory environment outside the European Union is fragmented and varies by country. Globally, we market our products in over 120 countries, across Europe, Asia and Oceania, South America, North America and Africa, and each of these countries may regulate these areas differently.

We sell pharmaceutical products which are predominantly comprised of prescription products. In most countries, the pricing of prescription products is regulated either directly (for example through statutory price reductions) or indirectly (for example through reference prices and reimbursement rates payable by the health insurance system, mandatory discounts, terms and/or requirements concerning discounts, the creation of framework conditions to stimulate market forces and competition). Pricing also may be influenced by supranational regulations in the European Union. Any changes in these regulations or procedural rules, such as those governing public procurement and tender processes, could reduce the profitability of individual products and, in exceptional cases, could render a product unprofitable. See "*—Existing and future healthcare cost-containment reform measures by government health authorities or government-sponsored healthcare systems could adversely affect our business*".

The regulatory bodies in the jurisdictions where we operate rigorously monitor and enforce compliance with the relevant regulations by pharmaceutical companies, and our operations and the operations of the third-party manufacturers and distributors on whom we rely, are subject to periodic inspections by the relevant regulatory authorities in our markets. The manufacturers of our pharmaceutical products are, for example, subject to principles of good manufacturing practices ("**GMP**") and good distribution practice ("**GDP**"), and compliance with these principles is assessed by the competent regulators via site audits. See "*Regulation—Manufacturing and Contract Manufacturing*" and "*Regulation—Distribution*". Following these inspections, the relevant regulator may issue notices listing the conditions that inspectors believe may

violate GMP, GDP or other applicable regulations, and warning letters that could modify certain activities identified during the inspection. While we have outsourced the manufacture and distribution of our products to third parties, we remain fully responsible for the quality and regulatory compliance of our products. Failure to comply with the applicable regulations can result in fines, unanticipated compliance expenditures, recall or seizure of products, total or partial suspension of production or distribution, suspension of the review of our product applications, enforcement actions, injunctions and criminal prosecution, as well as reputational harm, reduced sales and market share. If any of these risks materialize, our supply could be disrupted and our sales could be materially and adversely affected and we could be required to pay penalties imposed by German, EU or other competent authorities. As a result of impurities or other production defects, we have in the past recalled specific batches of certain of our products as a precautionary measure to address potential risks to patients and expect such recalls to continue to occur from time to time in the future. None of these recalls resulted in sanctions being imposed by competent authorities. In addition, in 2019, the Spanish health authority (AEMPS) imposed a fine of approximately €200,000 on us for not reporting a stock-out for the product Konakion® in a timely manner. While we believe that we are taking adequate measures to mitigate the regulatory risk, there is no assurance that, should regulatory scrutiny further increase, they will continue to be effective.

In addition, continuing compliance with increased regulatory scrutiny is likely to increase our costs. For example, since February 2019 manufacturers and distributors of pharmaceutical products in the European Union are required to comply with new standards in relation to the packaging of such products which are aimed to reduce the risk of counterfeit products. Among other things, these new regulations require the packaging to be "tamper safe" which reduces the speed at which the products can be packaged. Several other countries, such as Russia, are in the process of or planning to introduce similar measures. These third parties are subject to similar regulatory compliance. If any of those third parties does not comply with our regulatory requirements, we could be adversely affected if their non-compliance results in an interruption in our supply of our products or, in the case of any of our licensors, it hinders our ability to produce our in-licensed products.

Any failure by us or any of those third-parties or licensors to comply with governmental regulations, or any regulatory action taken against us or any of those third parties or licensors, could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

We commercialize our products through marketing authorizations and the loss of, or inability to maintain or acquire, such marketing authorizations could materially adversely affect our business, results of operations and financial condition.

Our business is marketing and commercializing pharmaceutical products. We require a marketing authorization for a product in each country in which we are planning to distribute a product and must procure that the marketing authorizations for newly acquired products are transferred to us from the seller. The process for transferring marketing authorizations can be time consuming and requires significant resources. For each marketing authorization in a country, the buyer or the seller (depending on local regulations) has to submit an application or notification to the competent authority to request the transfer of the marketing authorization. This application also contains the submission of various supporting documents (e.g., a transfer agreement between the old and new holder of the marketing authorization, updated product texts, updated artworks, proof of payment for relevant fees, wholesaler license, proof of establishment or GMP-certificates) for review by the competent authority. The length of the review process can vary between one day (e.g. Germany) and more than one year (e.g., Vietnam, Ukraine). In addition, the transfer of a marketing authorization can be delayed due to other factors beyond our controls such as capacity constraints in providing required documents by the selling pharmaceutical company. A delay in the process of transferring a marketing authorization can negatively affect our transition plan for a newly acquired product and may have follow-on effects on areas such as our ability to outsource the production to the CMO chosen by us or the packaging of the product. A delay may also lead to a situation in which a product is temporarily out of stock if the pharmaceutical company from which we have acquired the product has already ceased manufacture of a product and the bridging stock is depleted as a result of a longer than expected transfer process.

As of September 30, 2019, we held approximately 619 different marketing authorizations. We are currently awaiting approval of an additional 103 marketing authorizations, and expect approximately 340 marketing authorizations by the end of 2020. In addition, in many jurisdictions we are required to renew marketing authorizations periodically. Failure to obtain marketing authorizations for new products as needed or

maintain and renew our existing marketing authorizations as needed could have a material adverse effect on our financial condition, results of operations and on our ability to perform our obligations under the Notes. See "*Regulation*" and "*—We are subject to extensive governmental regulation and changes in these regulations, or failure by us or any of our third party manufacturers or distributors to comply with regulations, could harm our business*".

Risks Related to Our Business and Products

We face risks associated with our strategy of acquiring new products.

Our growth strategy is dependent on our continued ability to acquire new products or product portfolios. In the years ended December 31, 2016, 2017 and 2018 we agreed acquisitions of three, five and nine products, respectively. In the year ended December 31, 2019, we agreed the acquisition of an additional 14 products (twelve thereof through two portfolio acquisitions from Sanofi).

The success of our strategy is dependent upon our ability to identify suitable acquisition targets, conduct appropriate due diligence, negotiate transactions on terms that are favorable for us and complete such transactions. Our objective of acquiring further products in the future depends on the existence of suitable acquisition targets and our ability to finance their acquisition which are in turn dependent on a number of factors, many of which are beyond our control. These factors include the following:

- the willingness of pharmaceutical companies to sell legacy or niche products;
- our reputation as a reliable partner for pharmaceutical companies;
- the level of competition for the acquisition of such products and higher prices for such products that may result from increased competition; and
- our ability to raise the funds required for such acquisitions either in the private or public market.

In particular, since January 1, 2016, we have entered into agreements for the acquisition of 31 different products from seven different pharmaceutical companies. During the same period, the significant majority of our product acquisitions has been from Roche. If our reputation as a reliable partner for any of these large pharmaceutical companies were to be negatively affected, for example as a result of our failure to close an agreed acquisition or other reasons, our ability to acquire further products may be impaired.

Our competitors, such as Atnahs Pharma UK Limited, Recordati S.p.A., Zentiva Group, a.s., Theo Pharma PVT LTD and Riemser Pharma AG, are following similar acquisition strategies to ours. In addition, new competitors may choose to enter the market in which we are active and such competitors may have greater financial resources than us or may be willing to accept less favorable terms than we can accept, which may prevent us from acquiring the products that we target and reduce the number of potential acquisition targets.

If we complete acquisitions, there can be no assurance that we will be able to retain all the customers and patients, generate expected margins or cash flows, or realize the anticipated benefits of such acquisitions, including expected performance improvements or cost savings. Although we analyze acquisition targets on an ongoing basis, those assessments are subject to several assumptions concerning profitability, future development of sales, interest rates, return on investment and the potential for cost savings. There can be no assurance that our assessments and assumptions regarding acquisition targets will prove to be correct, and actual developments may differ significantly from our expectations. The products we acquire are often characterized by a declining revenue profile and we may underestimate the degree or pace of future revenue decline due to factors including, without limitation, lower sales prices, competition from generic product or product substitution. For example, the products Seroquel® and Seroquel XR®, which we recently acquired, experienced significant declines in sale during the years preceding the acquisition, partly due to a second generation of generics entering the market. According to IMS, between 2015 and 2018 sales of Seroquel® and Seroquel XR® declined at a CAGR of 28.0% and 55.9% in Europe and the United States and Canada, respectively and we expect such decline to continue. Also, patent protection for Seroquel XR® only expired in 2017, and therefore competition from generic products has not settled to the same extent as for other, more mature products in our portfolio. Furthermore, Xenical, which we acquired in 2017, has generated lower than expected sales due to various unconnected reasons, including temporary stock-outs in the U.S. and China and lower sales in Australia, which previously served as a platform for sales into China.

Moreover, the products we acquire may be subject to risks or problems which we may not be aware of, which we may not detect or which have not been disclosed to us in the due diligence process. We may learn about such risks or problems only after consummation of the acquisitions, in particular with respect to unknown side effects and issues relating to compliance with applicable laws and regulations. If we fail to successfully identify and assess risks related to acquisitions, we may be exposed to legal, market or other risks related to the products that we acquire, which could, individually or in the aggregate, have a material adverse effect on our financial condition, results of operations and on our ability to perform our obligations under the Notes.

We may be unable to integrate new products into our manufacturing, distribution and sales processes in a timely and cost-efficient manner or at all.

Our ability to implement our growth strategy depends on our ability to successfully integrate the new products that we acquire. Integration of an acquired product is a complex and costly process that can take up to three years or, in certain cases, even longer and involves cumbersome regulatory processes as well as integrating a new product into our manufacturing, distribution and sales processes. There can be no assurance that we will be able to integrate newly acquired products in a timely and cost-efficient manner or at all. For example, in 2019, we experienced a delay in the approval of our new Konakion® packaging following the transfer of the marketing authorization from Sanofi, which led to a stock-out.

A significant factor determining the complexity of the integration process is the number of marketing authorizations which have to be transferred to us, which is in turn determined by the number of jurisdictions in which a product is sold. Each marketing authorization related to a newly acquired product must be transferred to us under the laws of the jurisdiction applicable to it before we can commercialize a new product in our own name. Depending on the jurisdiction, the process of transferring a market authorization can take up to three years or even longer and requires significant knowledge and resources and there can be no guarantee that we are successful in transferring each relevant marketing authorization.

In addition, we typically do not acquire or assume the seller's existing manufacturing, distribution or sales organizations or contracts when acquiring a new product. Accordingly, we have to enter into manufacturing agreements with one or more CMOs as well as logistics and distribution agreement with third-party service providers. We also must integrate a new product into our quality control and pharmacovigilance systems to be able to comply with regulatory requirements. All of these steps require significant resources, are prone to delays and may entail significant upfront costs which we may not recover if the integration of a new product is not successful. We may for example encounter difficulties to secure sufficient production capacity from CMOs (in particular to produce the additional bridging stock which is required to avoid a stock-out during the transfer phase), source the API for a newly acquired product or lose access to manufacturing know-how.

Generally, when we acquire new products we identify potential cost savings that are expected to be realized once the new product is fully integrated into our processes. The success of these measures is particularly important to us because our products are often characterized by a declining revenue profile. Achieving cost savings and the process of integrating new products into our business involves risks. In addition to those mentioned above, these risks include the following:

- diversion of management's time and attention from daily operations to the integration of the new products;
- retaining the loyalty of existing customers, patients, physicians and other relevant third parties;
- unforeseen legal, regulatory, contractual or other issues;
- unforeseen negative side effects; and
- difficulties in maintaining the timeliness and quality of manufacture and distribution.

Moreover, even if we are able to successfully integrate new products, we may not be able to realize the potential cost savings, either in the amount or within the timeframe that we expect, and the costs of achieving these benefits may be higher, and the timing may differ from, what we expect. Our ability to realize cost saving may be affected by a number of factors, including the following:

- the use of more cash or other financial resources on the integration process than we expect;
- our ability to lower costs through contract manufacturing agreements and other agreements with third-party service providers at favorable terms; and
- an increase in other expenses unrelated to the acquisitions which may offset the cost savings from the acquisition.

There can be no assurance that we will be able to realize the anticipated benefits of acquisitions in the anticipated timeframe or at all. Any failure by us to integrate newly acquired products could, individually or in the aggregate, have a material adverse effect on our financial condition, results of operations and on our ability to perform our obligations under the Notes.

We may not be able to manage our growth efficiently.

We have experienced significant growth in the past, increasing the number of products from approximately 60 as of December 31, 2016 to more than 80 as of September 30, 2019 and expanding our workforce from 116 full-time equivalent employees as of December 31, 2016 to 304 full-time equivalent employees as of September 30, 2019. If we succeed with our strategy to further grow our business, we will be required to further expand, in particular our distribution, regulatory, pharmacovigilance and quality control functions and to continue to invest in related information technology systems which we may not achieve in a timely and cost-efficient manner or at all. For example, we were unable to assume the pharmacovigilance activities for one of our newly acquired products as of the expected transition time point because our existing database cannot handle the volume of historic reports and real-time reports. As a result, we may be required to replace our existing database. In addition, we would need to pay the seller an annual fee for their temporary pharmacovigilance service for the product on our behalf.

Our historic growth has placed significant demands on our management and key employees as the expansion increased the complexity of our business and placed a significant strain on our management, operations, technical systems and internal reporting and any future growth may further amplify these demands and strains. Our current and planned personnel, systems, processes and controls may not be adequate to support and effectively manage our operations. Our ability to hire a sufficient number of new employees for our operations depends on the overall availability of qualified employees mainly in Greifswald, Germany, where our headquarters is located and our ability to offer them sufficiently attractive employment terms compared to other employers. See "*—We may be unable to recruit and retain key personnel, including qualified scientific, technical and sales employees*".

Our growth in recent years has driven significant increases in our overhead costs, as well as interest expense. If we experience significant future growth, we may be required not only to make additional investments and further expand our workforce, but also to expand our relationship with CMOs, logistics providers and other third party providers with whom we do business and to expend time and effort to integrate these service providers into our processes.

Any failure to effectively manage our growth could, individually or in the aggregate, have a material adverse effect on our financial condition, results of operations and on our ability to perform our obligations under the Notes.

We rely on third parties to manufacture and distribute our products, which increases the risk that we will not have sufficient quantities of our products available at an acceptable cost or quality, on time or at all.

We strive to deliver high quality pharmaceutical products to our customers in a timely and cost-effective manner. The manufacture and distribution of our products is highly exacting and complex due, in part, to strict regulatory requirements governing their manufacture. We outsource all manufacturing, packaging, storage and distribution of our products to third parties, over whom we have no or very limited control. We do not own or operate manufacturing or distribution facilities for the commercial production of our products. We have limited personnel with experience in pharmaceutical manufacturing and we lack the resources and the capabilities to manufacture any pharmaceutical products.

Manufacturers of pharmaceutical products often encounter difficulties in production, particularly in scaling up initial production and in maintaining required quality control. These problems include difficulties with production costs and yields and quality control, including stability of the product. For example, we recently had to stop the planned transfer of a specific SKU for Aldactone® to a new CMO as the CMO was unable to manufacture a product that met all required specifications. In addition, we have in the past experienced supply constraints in relation to Deursil® due to shortages of raw materials as well as various manufacturing issues at the site of our CMO for Deursil®. If our third-party manufacturers, or other third parties, or other parties on whom these third parties rely, fail to perform their obligations in a timely, cost-effective manner or at satisfactory quality levels, our ability to bring products to market could be limited and our reputation and results of operations could suffer as a result. For example, during a market upturn, our third-party manufacturers may be unable to meet our demand requirements, which may preclude us from fulfilling our distributors' orders on a timely basis. Likewise, we could be materially

disadvantaged if our products were not stored correctly or if they were not distributed in a proper, timely fashion. Furthermore, the failure of any of our third-party manufacturers to maintain high manufacturing standards could result in injury to or death of patients using our products. Such failure could also result in, among other things, warning letters, sanctions, including fines, injunctions, civil penalties, suspension or withdrawal of marketing authorizations and other necessary approvals, delays or failures in delivery of our products, seizures or recalls of products, operating restrictions and criminal prosecutions, any of which could seriously harm our reputation, business or profitability. See "*—Product liability claims, contamination issues or product recalls involving our products could damage our brand and reputation among our customers and patients*".

In addition, we depend on the pharmaceutical companies from which we acquire new products for certain services during a transition phase. Until the transfer of the marketing authorization for a newly acquired product in a country is complete, we are not permitted to market or distribute such product in our own name. We therefore enter into TSAs with the seller of a product pursuant to which the relevant pharmaceutical company will distribute and market the product in its own name but on our account until the transfer of the required marketing authorization is complete. A failure of the selling pharmaceutical company to comply with its obligations under the TSA could for example result in lower sales or regulatory sanctions which could in turn have a negative impact on our business. For example, when entering into a TSA, we agree the amount of 'bridging stock' (*i.e.*, the amount of inventory that the selling pharmaceutical company must make available to meet demand during the transition phase). If demand is significantly higher than foreseen or the transition phase until completion of the MAT takes significantly longer than expected, this could lead to a stock-out situation in which the product is no longer available. In some cases, the bridging stock is defined on a local level and we may be unable to use excess stock available in other local markets if a stock-out situation occurs in another local market.

Our reliance on third-party manufacturers, distributors and, during a transition phase, the sellers from whom we acquired a new product may disadvantage us in regards to certain products as compared to our principle competitors, many of whom manufacture their own products. For example, certain competitors that have control over their manufacturing operations may be able to provide a more reliable supply of specific products to customers and avoid stock-outs, which pharmacies cite as one of the main causes behind a decision to switch suppliers. Without such control over our supply chain, we may need to increase our inventory in order to avoid shortages, resulting in a higher net working capital. As a result, our current and anticipated future dependence upon others for the manufacture and distribution of our products may adversely affect our future results of operation or profitability.

We do not control the third parties on whom we rely for the manufacture, storage, distribution and marketing of our products.

The ability of our third-party contractors, including our CMOs, our distributors and our logistics providers, to perform their obligations to us is largely outside of our control. Reliance on third-party manufacturers entails risks to which we would not be exposed if we manufactured our products ourselves, including:

- inability of the third party to secure and maintain certain regulatory compliance and quality assurance;
- limitations on supply availability resulting from capacity and scheduling constraints of the third parties;
- impact on our reputation in the marketplace if manufacturers of our products fail to meet the demands of, or cause the injury to or death of, customers;
- the possible breach of the manufacturing agreement by the third party because of factors beyond our control; and
- the possible termination or non-renewal of the agreement by the third party, based on its own business priorities, at a time that is costly or inconvenient for us.

For example, if one or more of our third-party contractors experiences a significant disruption in services or institutes a significant price increase, we may have to seek alternative providers, our costs could increase, the manufacture or delivery of our products could be prevented or delayed and our sales could be adversely affected. If our manufacturing partners cannot successfully manufacture products that conform to the strict requirements of the relevant regulatory authorities or if our manufacturing contractors are not able to secure or maintain regulatory approval for their manufacturing facilities, we could be negatively impacted. If a regulatory authority does not approve a facility for the manufacture or storage of our

products, or if it withdraws any such approval in the future, we may need to find alternative manufacturing or storage facilities. In such situations, changing or replacing our third-party manufacturers could cause disruptions or delays and we may be limited in our ability to do so quickly enough or at all.

In addition, if our third-party manufacturers fail to comply with applicable regulations or if they provide us with products that are defective or contain contaminated substances that were not identified before distribution to customers or patients, we could face sanctions, including fines, injunctions, civil penalties, suspension or withdrawal of marketing authorizations and other necessary approvals, delays, or failures in delivery of our products, seizures or recalls of products, operating restrictions and criminal prosecutions, any of which could seriously harm our reputation, business or profitability. Because we also outsource the storage and distribution of our products, we may not discover defects or contaminations in our products in time to prevent potential harm to patients or discover such defects or contaminations at all, which could have a material adverse effect on our reputation, business, results of operations and financial condition. Additionally, we may be forced to recall products from the market. This may, in certain cases, lead to product liability claims and significant costs, as well as reputational harm. See "*—Product liability claims, contamination issues or product recalls involving our products could damage our brand and reputation among our customers and patients*".

Failure to obtain or renew agreements with third parties on acceptable terms or the termination of such agreements by our material contractors may materially adversely affect our business, results of operations and financial condition.

We have a large number of agreements and relationships with third parties, including various manufacturers, logistics providers and other contractors, many of which are our sole source of supply for a specific ingredient, material or service. For example, we source vitamin K1, the API for our product Konakion®, from a single supplier. In addition, we typically rely on a single distributor in each country in which we market our products, and in certain cases a single distributor is responsible for several countries. Although we believe that our business is not materially dependent on any single third party, failure to obtain or renew contracts with material third parties as needed could negatively impact our business. If we lose a third-party manufacturer, we may not be able to engage an alternative third party in time to prevent delays in the production or distribution of our products. For example, replacing the supplier of the active pharmaceutical ingredient for our products may take up to three years due to strict regulatory requirements. Additionally, in the future, we may be unable to enter into agreements with third-party manufacturers or distributors, as well as the other third parties on whom we rely for the distribution and sale of our products, or we may be unable to do so on acceptable terms. Our ability to obtain or renew contracts with material third parties may be limited by circumstances outside of our control, such as general economic decline, market saturation or increased competition. Although we have been able to negotiate favorable terms with our third-party contractors in the past, we cannot guarantee that we will be able to successfully renegotiate those contracts as needed or secure terms that are as favorable to us.

We are exposed to significant default and counterparty risks in connection with operating our business and as a result of contracting parties' failure to meet their contractual obligations.

We are exposed to default and counterparty risks in connection with our third-party contractors, the pharmaceutical companies with whom we entered into TSAs if contracting parties fail to meet their obligations. In addition, there is the risk that, in a deteriorating economic and financial environment, customers may delay or fail to make payments to us or our business partners, thus generating or increasing default and counterparty risks. A significant portion of our sales are derived from sales to a relatively limited number of distributors. For the nine months ended September 30, 2019, our largest distributor represented 8% of our total sales. For the same period, our ten largest distributors represented 28% of our total sales. Although we believe that our business is not materially dependent on any single distributor, if we were to experience a significant reduction in or loss of business with one or more distributors, or if one or more distributor or TSA counterparty were to experience difficulty in paying us on a timely basis, our financial condition, results of operations and our ability to perform our obligations under the Notes could be materially adversely affected.

While we strive to maintain business relations with business partners of good financial standing and our agreements with contractors generally include contractual remedies to safeguard us against default risk, these measures may be insufficient. In addition, third parties on whom we rely may have inadequate internal compliance resources. The failure of our third-party manufacturers and service providers to meet

their contractual obligations could materially adversely affect our financial condition, results of operations and our ability to perform our obligations under the Notes.

Our ability to market our products successfully and the strength of our brand depends, in part, upon the acceptance of the products not only by patients, but also by the public and private health insurers, pharmacists, physicians depending on the jurisdiction in which we operate.

Our ability to market our products successfully and the strength of our brand and reputation with customers depends in large part on the acceptance of products by patients, as well as other third parties including public and private health insurers, physicians, hospitals, local health units and other public authorities depending on the jurisdiction in which we operate. We rely to a significant extent on the strength of our brands and their reputation. Our most important brands include Atacand®, Dilatrend®, Vesanoid® and Xenical®. Unanticipated side effects or unfavorable publicity concerning any of our products or brands could have a material adverse effect on our ability to achieve acceptance of our products with any of these groups of persons. Acceptance of our products depends upon a wide variety of factors, many of which are beyond our control and many of which are not correlated to the quality or efficacy of our products. These factors include the following:

- perception of our products as effective, safe and optimal treatments;
- receptiveness of physicians and pharmacists to our products;
- perceived advantages and disadvantages of any given product relative to competing products, treatments or therapies;
- prevalence, severity and nature of side effects;
- product recalls;
- availability of our products in sufficient quantities to satisfy customer demand and stock-out situations;
- reimbursement levels set by third parties, such as health insurers; and
- prevalence of the disease for which a product is prescribed.

If any of our products do not achieve an adequate level of acceptance by customers, patients or other independent third parties, as discussed above, we may be unable to generate sufficient or any sales from these products to make them profitable and this is likely to only be evident after significant cost has been expended. If our products fail to gain and maintain significant market acceptance, there could be a material adverse effect on our business, results of operations and financial condition.

Product liability claims, contamination issues or product recalls involving our products could damage our brand and reputation among customers and patients.

Although we are engaged in the commercialization, but not the research and development, production or manufacturing, of pharmaceutical products, and although the active ingredients in those products are thoroughly vetted and often have been in the market for ten or more years, there is a risk that we may be liable for, or incur costs related to, liability claims if any of our products cause injury or are found to be unsuitable for patient use. This risk exists even with respect to products that have received, or may receive in the future, regulatory approval for commercial use. In some instances, adverse reactions to medicinal products may become apparent only years after market introduction.

Our products could also be defective or contain contaminated substances that were not identified during our manufacturers' production process, and adverse reactions resulting from human consumption of these products could occur. Product liability lawsuits are often costly to defend and can result in substantial monetary awards to customers, and, regardless of merit or eventual outcome, can result in reduced sales, harm to our brand and reputation, the inability to commercialize our products and diversion of management's time, attention and resources. Considerable sums in damages have been awarded against pharmaceutical companies due to physical harm allegedly caused by the use of certain products. Regardless of merit or eventual outcome, liability claims could result in negative publicity, decreased demand for our products and damage to our reputation and require us to incur significant legal fees. Product liability claims may also force us to withdraw some of our products from the market, thus creating potential for further claims. As of the date of this Offering Memorandum, we are not involved in any material product liability litigation. However, some of our products are the subject of product liability

litigation in markets in which we have either not acquired the marketing authorization to distribute such product or in relation to the time period prior to us acquiring the product. In relation to Losec®, numerous product liability claims against AstraZeneca pending in the United States and Canada alleging that the use of Losec® causes kidney failure. While we are not a defendant in such litigation as AstraZeneca holds the marketing authorizations for Losec® in the United States, there can be no assurance that similar claims may be raised in the future in other jurisdictions in which we have acquired the marketing authorizations for Losec®. This risk is likely to increase should the litigation in the United States or Canada be successful. In addition, in 2018, we acquired Lariam®, a product used to prevent malaria. There are currently multiple lawsuits pending, including mass tort actions, alleging that Lariam® caused neurological and psychiatric side effects such as depression and suicidal tendencies. While the defendants in these lawsuits are primarily governmental agencies and armed forces of several countries, including Canada, Ireland, the United Kingdom and the United States, due to the fact that Lariam® was frequently used by military personnel on deployment in areas affected by malaria, there are also lawsuits pending against Roche as the previous owner of the marketing authorization for Lariam®.

In addition, we also market and distribute Rohypnol®, a drug used for the treatment of sleeping problems. Rohypnol® has been associated with substance abuse as well as drug-facilitated sexual assault and is a controlled drug in many jurisdictions. In the United States, it is considered an illegal drug and not approved. Negative publicity in connection with, or any investigation in, the abuse of Rohypnol® may negatively affect our ability to continue to commercialize Rohypnol® or our reputation.

While we have in the past recalled specific batches of certain of our products due to impurities or other production defects and as a precautionary measure to address potential risks to patients, and expect such recalls to continue to occur from time to time in the future, none of these recalls resulted in sanctions being imposed by competent authorities. However, we may be unable to successfully defend ourselves in product liability claims in the future. We carry insurance coverage for product liability claims. See "*Business—Insurance*". However, such insurance may not be sufficient to cover all or even a material part of any significant product liability claim. Furthermore, at any time, insurance coverage may not be available on commercially reasonable terms or at all. If we are unable to guard against product liability claims, contamination, product recalls or other quality control issues, we could experience a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

Our products may cause undesirable side effects or have other properties that could limit their commercial potential.

Undesirable side effects caused by any of our products could require us to initiate product recalls or result in the revocation of regulatory approvals of such product, which could in turn lead to potential product liability claims, reduced patient demand, lower rates of prescription of our products by physicians and reluctance by pharmacists to dispense our products. See "*—Product liability claims, contamination issues or product recalls involving our products could damage our brand and reputation among customers and patients*". Any of these events could prevent us from achieving or maintaining the commercial success of our products, could substantially increase our commercialization costs and, in general, could have a material adverse effect on our reputation, financial condition, results of operations and our ability to perform our obligations under the Notes.

Counterfeit versions of our products could harm patients and our reputation.

The pharmaceutical industry is vulnerable to counterfeiting of pharmaceutical products and the increasing availability of counterfeit products in a growing number of markets and over the internet. For example, we have recently received a report concerning a counterfeit version of one of our products from a customer in Indonesia. While this incident did not result in any patient safety issue, counterfeit products are frequently unsafe or ineffective and can potentially be life-threatening. To distributors and patients, counterfeit products may be indistinguishable from the authentic product. Reports of adverse reactions to counterfeit pharmaceutical products or increased levels of counterfeiting could materially affect patient confidence in the authentic product and harm our reputation and business and lead to litigation. In addition, it is possible that adverse events caused by unsafe counterfeit products could mistakenly be attributed to the authentic product. If one or more of our products continue to be the subject of counterfeits in the future, we could incur substantial reputational and financial harm, which could in turn have a material adverse effect on our financial condition, results of operations and our ability to perform our obligations under the Notes.

Any significant increase in the cost of active ingredients or auxiliary materials used in manufacturing our products or their availability could adversely affect our profit margins and operating results.

Affordable, high-quality active ingredients and auxiliary materials are essential to our business due to the nature of the products we sell. Even though we rely on third parties to manufacture our products, the CMOs regularly have a right to pass on price increases for ingredients or materials to us under the relevant manufacturing agreements. In other cases, we are directly responsible for supplying the CMO with the ingredients and materials required for the manufacture of our products and our contracts with suppliers often provide for the supplier's right to increase prices annually. In addition, rationing or shortages, as well as fluctuations in the price of the ingredients or materials required for the manufacture of our products can occur and our third-party manufacturers may pass these costs onto us or distribution of our products may be delayed or made impossible due to price changes or shortages of such ingredients and materials. In some cases, we try to manage these risks through mechanisms aimed at reducing our financial exposure, such as pricing clauses that link procurement prices to current selling prices. However, there can be no assurance that rapid cost increases or extended supply shortages of these ingredients and materials will not occur, which could have a material adverse effect on our financial condition, results of operations and our ability to perform our obligations under the Notes.

We may be unable to recruit and retain key personnel, including skilled and qualified scientific, technical and sales employees.

We are highly dependent on our senior management and key employees, including our scientific, technical and sales personnel. The loss of any senior manager or key employee may significantly delay or prevent the achievement of our growth strategy, integration efforts or business objectives. Due to the specialized scientific nature of our business, we are highly dependent upon our ability to continue to attract and retain qualified scientific, technical and sales personnel. Loss of the services of, or difficulties in recruiting, key management, scientific, technical or sales personnel could be materially detrimental to our business and financial condition. We face competition for scientific and technical personnel from other companies, academic institutions, government entities and other organization. Such competition is also enhanced by a Germany-wide shortage of qualified professionals, such as scientific or technical personnel. In addition, increasing demand for higher wages may make it difficult for us to hire or retain the necessary personnel.

The loss of any key personnel or the inability to attract, recruit and retain highly skilled employees required for our activities could have a material adverse effect on our business, financial condition, results of operations and our ability to perform our obligations under the Notes.

Industrial action or adverse labor relations could disrupt our operations and have an adverse effect on our operating results

If we are unable to maintain satisfactory employee relations or negotiate acceptable labor agreements in future, the results could include work stoppages, strikes or other industrial action or labor difficulties (including higher labor costs). This risk may increase in the future if we were to become obliged to establish an advisory board with employee representative as a result of continued growth in the number of our employees.

While we believe that we have good relations with employees generally, there can be no assurance that our relations will not deteriorate and that we will not experience labor disputes in the future. Any of these adverse labor situations could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

A breakdown in our information technology systems could result in a significant disruption of our business.

Our operations are highly dependent on our information technology systems. We make continuous investments to appropriately adapt these complex systems to changing business processes. Such systems are vulnerable to a number of problems, such as software or hardware malfunctions, human error, intentional or unintentional improper handling, malicious hacking, physical damage to vital data centers and computer virus infection. In addition, the information technology system needs regular upgrading to accommodate expansion of our business and maintain the efficiency of our operations. If we face a breakdown in our system, we could experience significant business and operational delays across our businesses. In particular, any breakdown in our information technology systems could result in disruptions of our procurement, sales, customer contact, accounting and billing processes. We also rely on the availability of our information technology systems to fulfil our regulatory obligations with respect to the reporting of

adverse side effects to the competent health authorities. To the extent that any disruption or security breach were to result in a loss of or damage to our data, or inappropriate disclosure of confidential or proprietary information, we could incur liability. Any of this could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

We handle personal data including, to a minor extent, sensitive patient data in the ordinary course of our business, and any failure to maintain the confidentiality of that data could result in legal liability for us and reputational harm to our business.

From time to time, and generally in connection with our pharmacovigilance activities, we process sensitive personal patient data (including, in certain instances, names, addresses and health data) as part of our business, and therefore we must comply with strict data protection and privacy laws. For example, we are subject to extensive European laws and regulations on privacy, information security and data protection, the main and most relevant of which relate to the collection, protection and use of personal and business data, including the EU Regulation 2016/679 ("**GDPR**"). In particular, we adapted our internal procedures to the requirements imposed by the recently implemented GDPR. The costs of complying with the GDPR are increasing, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place. Our failure to comply with privacy, data protection and information security laws, such as GDPR, could result in potentially significant regulatory and/or governmental investigations and/or actions, litigation, fines, sanctions and damage to our reputation. See "*Regulation—Data Protection*".

Moreover, data protection laws and rules impose certain standards of protection and safeguarding on our ability to collect and use personal information relating to customers and potential customers, and could make us liable in the event of a loss of control of such data or as a result of unauthorized third party access. Unauthorized data disclosure could occur through cyber security breaches as a result of human error, external hacking, malware infection, malicious or accidental user activity, internal security breaches, and physical security breaches due to unauthorized personnel gaining physical access.

We, our distributors, suppliers and other business partners may be the subject to breaches of security by hackers. A future breach of our system or that of one of our distributors, suppliers or other business partners may subject us to material losses or liability, including fines, claims for unauthorized use of personal and sensitive data or other claims. A misuse of such data or a cybersecurity breach could harm our reputation, increase our operating expenses in order to correct the breaches or failures, expose us to uninsured liability, increase our risk of regulatory scrutiny, subject us to lawsuits, result in the imposition of material penalties and fines under any applicable international laws or regulations.

If a single material breach or series of less material breaches was to occur, we could face liability under data protection laws, could lose the goodwill of our clients and could have our reputation damaged, all of which could have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

We are subject to risks associated with cross border sales and purchases.

We market our products in more than 120 countries globally. Due to differing regulatory regimes, certain of our products may be classified differently in some jurisdictions. Different classifications could also result in pricing differences, which may be material. Cross border operations are subject to risks, including but not limited to:

- inadequate protection of intellectual property and unregistered know how;
- difficulties and costs associated with complying with a wide variety of complex domestic and foreign laws, regulations and treaties, some of which are subject to change;
- legal uncertainties regarding, and timing delays associated with, customs procedures, tariffs, import or export licensing requirements and other trade barriers;
- legal and practical obstacles in efficiently enforcing contractual rights;
- differing local product preferences and product requirements;
- increased difficulty in collecting delinquent or unpaid accounts;
- risk of loss at sea or other delays in the delivery of products caused by transportation problems;

- differing tax regimes; and
- economic sanctions and restrictions on exports and other transfers of goods.

Any of these factors, individually or in the aggregate, could adversely affect our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

We are exposed to risks related to conducting operations in many different countries.

We develop, market a broad range of pharmaceutical products which are available in more than 120 countries, including Italy, France, Germany, Portugal, Spain, the United Kingdom, the United States, China, Indonesia, the Philippines, South Korea, Thailand, Singapore, Australia and the MENA region. Both of our operations and those of our local sales and business partners in these countries may be subject to the following risks: changes in the rate of economic growth; unsettled political or economic conditions; expropriation or other governmental actions; social unrest, war, terrorist activities or other armed conflict; bribery and corruption; national and regional labor strikes; confiscatory taxation or other adverse tax policies; deprivation of contract rights; trade regulations affecting production, pricing and marketing of products; anti-trust risks; reduced protection of intellectual property rights; restrictions on the repatriation of income or capital; exchange controls; inflation; currency fluctuations and devaluation; the effect of global environmental, health and safety issues on economic conditions, market opportunities and operating restrictions; and changes in financial policy and availability of credit. In addition, we or any of our local business partners may be subject to legal proceedings regarding bribery and corruption in these countries, and we are unable to ensure or monitor the lawful conduct of our business partners' operations. These factors could adversely affect our financial condition, results of operations and our ability to perform our obligations under the Notes.

Fluctuations in exchange rates may adversely affect our business and results of operations.

We market our products in more than 120 countries and, accordingly, a significant portion of our sales are in currencies other than the euro, our reporting currency, which gives rise to translation risks. As our operations are concentrated in Germany and most of our manufacturing agreements, which represent a significant portion of our costs, are with European CMOs, our results are subject to foreign exchange transaction risks. Our primary foreign exchange rate risks relate to the exchange rate of the euro to the U.S. dollar and of the euro to the Swiss franc.

Transactional risk arises when we and our subsidiaries execute transactions in a currency other than our and their respective functional currency. To the extent that we incur expenses in one currency but generate sales in another, any change in the values of those currencies could cause our profits to decrease or our products to be less competitive than those of our competitors. To the extent that cash and receivables that are denominated in currencies other than the respective functional currency are greater or less than our liabilities denominated in a different currency, we will be exposed to the risk of fluctuations and movements in the foreign exchange markets. Where we are unable to match sales and receivables denominated in foreign currencies with expenses and liabilities denominated in the same currency, our results of operations are affected by currency exchange rate fluctuations.

We currently hedge against a portion of the foreign exchange risks associated with anticipated future cash flows denominated in foreign currency. Although we plan to enter into additional hedging agreements in the future, there can be no assurance that hedging will be available or continue to be available on commercially reasonable terms. In addition, if we were to use any hedging transactions in the future in the form of derivative financial instruments, such transactions may result in mark-to-market losses. Such financial instruments could also not be sufficient or not effective and expose us to a default risk of the relevant counterparty.

The realization of any of these risks could have a material adverse impact on our financial condition, results of operations and our ability to perform our obligations under the Notes.

Our business is subject to other operating risks, including natural disasters, fire, explosion, sabotage, terrorism and other criminal activities.

Our operations are subject to risks normally incidental to manufacturing operations which may result in work stoppages and/or damage to property. These risks include unexpected disruptions in infrastructure, strikes, accidents, natural disasters, fire, explosion, sabotage, criminal activities and terrorism. While we protect ourselves against such risks to the extent possible and financially reasonable through appropriate

insurance policies, it cannot be excluded that this protection will not be sufficient and that any of these events could have a material adverse impact on our financial condition, results of operations and on our ability to perform our obligations under the New Senior Notes.

We may not be adequately insured.

We currently have insurance arrangements in place for product and public liability, property damage and business interruption (including sudden and unexpected environmental damage). These insurance policies may not, however, cover any losses or damages resulting from the materialization of any of the risks we are subject to. Further, significant increases in insurance premiums could reduce our cash flow. It is also possible that in the future insurance providers may no longer wish to insure businesses in our industry against certain risks, e.g. in connection with product liabilities. Any such event could have a material adverse effect on our financial condition, results of operations and on our ability to perform our obligations under the Notes.

Risks Related to Laws, Regulation and Taxation

Non-compliance with environmental, health and safety laws or environmental, health and safety litigation or liability could materially adversely affect our reputation, business, results of operations and financial condition.

We currently rely on and expect to continue to rely on third parties, such as CMOs, for the manufacturing and supply of our products. These third parties are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, transportation, use, storage, treatment and disposal of hazardous materials and wastes. Although we have auditing rights with all of our manufacturers, we do not have control over any third-party provider's compliance with environmental, health and safety laws and regulations. Liabilities they incur pursuant to these laws and regulations could result in significant costs to them, which they may pass to us, or in certain circumstances, an interruption in our operations, any of which could adversely affect our business and financial condition if we are unable to find an alternate manufacturer in a timely manner. We also could incur significant costs associated with civil or criminal fines and penalties for failure to comply with applicable environmental, health and safety laws. Although we maintain standard insurance relating to such risks, this insurance may not provide adequate coverage against potential liabilities. See "*—Risks Related to our Business and Products—We may not be adequately insured*". In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our ability to operate and to implement our business strategy. Failure to comply with these laws and regulations may also result in substantial fines, penalties, other sanctions or harm to our reputation which could in turn have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

Our existing compliance structure may not be sufficient and non-compliance with laws and regulations may adversely affect our business.

Although we are in the process of establishing a compliance structure and policies and internal monitoring systems aimed at, among other things, preventing direct or indirect acts of corruption, bribery, anti-competitive behavior, money laundering, breaches of economic sanctions, fraud, environmental crimes and any other illegal or otherwise unethical conducts, we may be unable to detect or prevent every instance of such conducts involving our senior management, employees, consultants, partners, agents and third-party representatives and intermediaries. In addition, our monitoring systems (including our internal controls and procedures, policies and our risk management system) may not be sufficient to prevent, detect and identify inadequate practices, and violation of law by such individuals, especially given our profile, size as well as in light of the extent of our cooperation with them.

Any of the foregoing circumstances may expose us to civil and administrative penalties, as well as to reputational damage which could in turn have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

Third parties may claim that we infringe their proprietary rights, and as a result we may be prevented from manufacturing and distributing our products.

There has been substantial litigation in the pharmaceutical industry with respect to the manufacture, use and sale of pharmaceutical products. These lawsuits relate to the validity and infringement of patents or proprietary rights of third parties. Patent infringement claims are typical of our industry and while we only

manufacture and distribute products that are no longer subject to patent protection, there can be no assurance that an intellectual property infringement claim could not be brought against us and that we would not be found to infringe on the commercial property rights of others.

We may be subject to significant damages or an injunction preventing us from manufacturing, selling or using some of our products in the event of a successful claim of patent or other intellectual property infringement. Furthermore, a significant third-party claim could result in management's attention being distracted from current operations. The outcome of intellectual property related proceedings could adversely affect, hinder, delay or prevent the manufacture, use, marketing or sale of our products or processes. We may also be required to pay substantial damages or change our product offerings or expend significant resources to develop non-infringing products or processes. We do not currently have insurance coverage specifically for intellectual property related proceedings. Any of the above could affect our ability to compete or have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

Our business depends on intellectual property and the ability to protect such intellectual property against infringements from third parties.

Protecting our intellectual property is important to our business. Our most important intellectual property are the trademarks related to our products, in particular Atacand®, Dilatrend®, Vesanoid® and Xenical®. Our future success will depend on our ability to obtain brands and trademarks and protect such intellectual property as well as our unregistered trade secrets against infringements by third parties. However, there can be no assurance that any of our brands, processes or products can be adequately protected through intellectual property rights. Furthermore, we may not have the resources to protect our intellectual property against infringements by third parties (e.g., due to a lack of evidence or the cost of proceedings) and such protection may not be effective in all cases. If we fail to adequately protect our intellectual property competitors may utilize brands similar to those under which we market our products.

We also seek to protect our trade secrets, unregistered proprietary know-how and processes through confidentiality and non-disclosure agreements with suppliers, CMOs, employees, consultants and other third parties. If these agreements are breached we may not have adequate remedies for such breaches. Disputes may arise concerning the ownership of intellectual property or the applicability of such confidentiality agreements. Furthermore, confidential information may otherwise become known to our competitors.

The realization of any of the above risks could affect our ability to compete or have a material adverse effect on our business, financial condition, results of operations and on our ability to perform our obligations under the Notes.

We are subject to the risk of litigation and other claims.

While we are currently not party to any material litigation, such as product liability claims, warranty obligations claims, alleged violations of trade confidentiality and others, there can be no assurance that we will not become in such litigation matters in the future. See also "*Risks Related to Our Business and Products—Product liability claims, contamination issues or product recalls involving our products could damage our brand and reputation among customers and patients*" and "*—Third parties may claim that we infringe their proprietary rights, and as a result we may be prevented from manufacturing and distributing our products*". When we determine that a significant risk of a future claim against us exists, we will have to record provisions in an amount equal to our estimated liability. There can be also no assurance that such provisions, if made in the future, will be sufficient to cover our actual litigation costs. In addition, third-party litigation, including litigation related to competition law, anti-trust law, tax law, patent law and to the implementation of individual regulatory requirements in the provision of healthcare at a national or supranational level, could have an indirect, materially adverse impact on us and the market environment in which we operate.

In the ordinary course of our business we are from time to time involved in legal and arbitration proceedings and could become involved in additional legal and arbitration proceedings in the future. There can be no assurance that we will be successful in defending ourselves in pending or future litigation claims or similar matters under various laws or that product-specific provisions will be sufficient to cover litigation costs. Moreover, it may be difficult for us to obtain and enforce claims related to existing litigation under the laws of certain countries in which we operate at affordable costs and without any materially adverse effects on our business in such country.

Any of these events could result in considerable costs, including damages, legal fees and temporary or permanent ban on the marketing of certain products and this could have a material adverse effect on our business, financial condition and results of operations and on our ability to perform our obligations under the Notes.

We are subject to complex tax laws, and changes in tax laws or challenges to our tax position could adversely affect our results of operations and financial condition.

Changes in tax laws could adversely affect our tax position, including our effective tax rate or tax payments. We often rely on generally available interpretations of applicable tax laws and regulations. We cannot be certain that the relevant tax authorities are in agreement with our interpretation of these laws. If our tax positions are challenged by relevant tax authorities, the imposition of additional taxes could require us to pay taxes that we currently do not collect or pay or increase the costs of our services to track and collect such taxes, which could increase our costs of operations and have a negative effect on our business, financial condition, operating results and cash flows and on our ability to perform our obligations under the Notes.

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

Our business activity is assessed for tax purposes based on currently applicable tax legislation taking into account current case law and administrative interpretations. However, there may be uncertainties regarding the tax treatment of specific transactions and we may contest taxes assessed against us. As a result, there can be no assurance that the our current and future position on taxation matters will be accepted by the relevant tax authorities. Such uncertainties in the applicable tax legislation or case law, as well as any changes in interpretation by the tax authorities, could have a material adverse effect on the our net assets, financial condition and results of operations.

We are regularly subject to tax audits. For example, the German tax authority recently concluded a tax audit for the fiscal years 2013 to 2016 which we expect will result in additional tax obligations. We estimate these obligations to amount to approximately €4 million plus accrued interest and expect to receive a corrected tax assessment notice in 2020. While we believe that we have paid all material tax liabilities and filed all material tax returns as of the date of this Offering Memorandum, and made provisions that we believe 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 us 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.

Risks Related to Our Financial Profile

Our Adjusted EBITDA is presented for informational purposes only, and the actual results of operations and respective EBITDA contributions attributable to the relevant Recently Acquired Products for periods prior to their acquisition may differ materially.

The Adjusted EBITDA information for the twelve months ended September 30, 2019 included in this Offering Memorandum is illustrative and presented for informational purposes only. See "*Summary Financial and Other Information—Summary Other Financial Data*". This information does not represent the results the Recently Acquired Products would have achieved had each of the acquisitions occurred on October 1, 2018. The calculations of Adjusted EBITDA for each of the Recently Acquired Products are based on information provided by the seller of the relevant Recently Acquired Product, due diligence and management estimates. The actual EBITDA contribution of each of the Recently Acquired Products will be different from the respective Adjusted EBITDA contribution indicated due to, among other things, the declining revenue profile of the Recently Acquired Products, which will result in lower EBITDA, and other circumstances, including, in particular, the length of the TSA phase for the Recently Acquired Product. See also "*—Risks Related to Our Business and Products—We face risks associated with our strategy of acquiring new products*". The Adjusted EBITDA information and the relevant EBITDA contributions have not been audited, reviewed or verified by any independent accounting firm. Therefore, the Adjusted EBITDA information is inherently subject to risks and uncertainties and may not give an accurate or complete picture of the results of operations attributable to the relevant Recently Acquired Products for periods prior to their acquisition, may not be comparable to our Consolidated Financial Statements or the other

financial information included in this Offering Memorandum and should not be relied upon when making an investment decision.

The amount of Adjusted EBITDA for each of the Recently Acquired Products is based on a number of assumptions. These assumptions could prove to be inaccurate since they relate to factors over which we have limited or, in some cases, no control or influence. Accordingly, such assumptions may change or may not materialize at all. Should one or more of the assumptions underlying the amount of Adjusted EBITDA for each of the Recently Acquired Products prove to be incorrect, the actual EBITDA contribution of each of the Recently Acquired Products could differ materially from the amounts presented in this Offering Memorandum. As a result, investors should not place undue reliance on them.

Our substantial leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations with respect to the Notes and the Guarantee.

We are highly leveraged and will have significant debt service obligations. As of September 30, 2019, on a *pro forma* basis after giving effect to the Transactions (including the use of proceeds therefrom), we would have had Financial Indebtedness of €1,480.0 million, including indebtedness under the Notes. See "*Capitalization*".

The degree to which we will be leveraged following consummation of the Transactions could have important consequences to holders of the Notes offered hereby, including:

- making it difficult for us to satisfy our obligations with respect to the Notes and our other debt and liabilities;
- making us vulnerable to, and reducing our flexibility in planning for, or reacting to, changes in our business and the competitive environment, the industry in which we operate and general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow, working capital, capital expenditures, acquisitions, joint ventures or other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business, the competitive environment and the industry in which we operate as well our flexibility to maximize business opportunities;
- exposing us to increases in interest rates with respect to our floating rate liabilities, such as our financing costs under Senior Facilities Agreement;
- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged; and
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including the Notes.

Despite our substantial leverage, we may still be able to incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes, and impair our ability to operate our business.

The terms of the Indenture will permit the Issuer and its restricted subsidiaries to incur substantial additional indebtedness, including in respect of the Revolving Credit Facility or other credit facilities in an aggregate amount of at least €400 million, additional Notes by the Issuer and certain other indebtedness permitted under the Indenture. The new debt that we may incur in the future, including, for example, in connection with acquisitions, may rank *pari passu* with, be structurally senior to, or be secured by assets that do not form part of the Collateral for, the Notes and the Guarantee. If any of our subsidiaries incurs additional debt or if we incur debt that is secured by assets that do not also secure the Notes, the holders of that debt will be entitled to share ahead of the noteholders in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of such non-guarantor subsidiary or in any proceeds from any enforcement of the security created over such collateral. Any additional indebtedness could also mature prior to the Notes. Although the Indenture will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. In addition, the Senior Facilities Agreement and

the Indenture will not prevent us from incurring obligations that do not constitute indebtedness under those agreements. Furthermore, if we are able to designate some of our restricted subsidiaries under the Indenture as unrestricted subsidiaries, those unrestricted subsidiaries would be permitted to borrow beyond the limitations specified in the Indenture and engage in other activities in which restricted subsidiaries may not engage. See "*Description of the Notes*" and *"Description of Certain Financing Arrangements—Senior Facilities Agreement".* If new debt is added to our and our subsidiaries' existing debt levels, the related risks that we now face would increase.

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

The Indenture and the terms and conditions governing our other financing arrangements, including the Senior Facilities Agreement, contain or will contain covenants which may impose significant restrictions on the way we can operate, including restrictions on our ability to:

- make certain loans or investments;
- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain restricted payments, including dividends or other distributions and certain payments on subordinated indebtedness, as well as certain investments;
- agree to limitations on the ability of the Company's subsidiaries to pay dividends or make other distributions;
- sell, lease or transfer certain assets, including stock of restricted subsidiaries;
- engage in certain transactions with affiliates;
- consolidate or merge with other entities; and
- impair the security interests for the benefit of the holders of the Notes.

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

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

If we are unable to comply with the financial and restrictive covenants included in the Senior Facilities Agreement and/or the Indenture, certain of our existing or any future financing 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 Senior Facilities Agreement contain, and certain of our existing financing arrangements and any future financing agreements we may enter into may contain, certain financial and restrictive covenants. Our ability to comply with these covenants, including meeting incurrence- or maintenance-based financial ratios and tests, depends on a number of factors, some of which may be beyond our control, such as a deterioration of the industry and markets in which we operate or a deviation from the assumptions contained in our business plan. As a result, we may be unable to comply with our financial and restrictive covenants, and any failure may materially adversely affect our margins and results of operations and financial condition.

The breach of a financial or other covenant or our failure to meet any of our obligations under any of the agreements governing our debt may result in a default under such agreements, which in turn could result in a number of adverse consequences including, prohibiting us from drawing additional funds under credit facilities, significant increases in interest rates and other financing costs, the acceleration of all outstanding amounts under such agreements requiring us to immediately repay the related debt in whole or in part, and/or the commencement of foreclosure or other enforcement actions against any of our assets securing

such debt. In addition, any default may expose us to requests by our suppliers for advance payments for deliveries and a reduction or cancellation by credit insurers of their commitments. Defaults may also trigger cross-default and cross-acceleration clauses contained in our other debt agreements, including the Indenture and Senior Facilities Agreement, and our 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 us to service our debts may have a materially adverse effect on our ability to satisfy our obligations, including under the Notes.

A breach of any of the covenants under the Senior Facilities Agreement (which include a financial maintenance covenant for the benefit of the lenders under the Revolving Credit Facility) or the occurrence of certain specified events will, subject to applicable cure periods and other limitations, result in an event of default under the Senior Facilities Agreement. Upon the occurrence of any event of default under the Senior Facilities Agreement, the Majority Lenders (being, subject to certain exceptions, lenders under the Senior Facilities Agreement whose commitments thereunder aggregate at least 66⅔% of the total commitments, or, as the case may be, the revolving facility commitments thereunder) could, while such event of default remains unremedied or unwaived, cancel the availability of the Senior Facilities Agreement and elect to declare all amounts outstanding under the Senior Facilities Agreement, together with accrued interest, immediately due and payable. In addition, a default or event of default under the Senior Facilities Agreement could lead to an event of default and acceleration under other debt instruments that contain cross-default or cross-acceleration provisions, including the Indenture.

If our creditors, including the creditors under the Senior Facilities Agreement, accelerate the payment of amounts owing to them under such other debt instruments, there can be no assurance that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries which would be due and payable and to make payments to enable us to repay the Notes, in full or in part. In addition, if we are unable to repay those amounts, our creditors could proceed against any security interests granted to them to secure repayment of those amounts.

We may not be able to generate sufficient cash to service our indebtedness and may be forced to take other actions to meet our obligations under our indebtedness, which may not be successful.

We have, and after the Offering, we will have significant debt service obligations. Our ability to make principal or interest payments when due on our indebtedness, including our drawings under the Senior Facilities Agreement and our obligations under the Notes, and to fund our ongoing operations, will depend on our future performance and our ability to generate cash, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, many of which are beyond our control. See "*Risk Factors—Risks Related to Our Industry and Market*" and "*Risk Factors—Risks Related to Our Business and Products*". If our future cash flows from operating activities and other capital resources are insufficient to pay our various obligations as they mature or to fund our ongoing liquidity needs, we and our subsidiaries may be forced, among other things, to reduce or delay business activities and capital expenditure, sell assets, or forego opportunities such as acquisitions of further products. There can be no assurance that any of these alternatives can be accomplished on a timely basis or on satisfactory terms, if at all.

The indebtedness under the Term Loan Facilities, and the Revolving Credit Facility under the Senior Facilities Agreement will mature in 2025 and 2024, respectively, and the Notes will mature in 2027 See "*Description of Certain Financing Arrangements*" and "*Description of the Notes*". In addition, we have ongoing requirements to pay interest when due on our indebtedness. To the extent our cash flows from operating activities are insufficient to meet our liquidity needs, service our debt or provide required cash collateral under our financing arrangements, we would have to seek additional debt or equity financing. At the maturity of loans outstanding under the Senior Facilities Agreement and of the obligations under the Notes and any other debt which we incur, if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs, or we are otherwise restricted from doing so due to corporate, tax or contractual limitations, we may be required to refinance our indebtedness. If we are unable to refinance all or a portion of our indebtedness or obtain such refinancing on terms acceptable to us, we may be forced to reduce or delay our business obligations, acquisitions, activities or capital expenditures, sell assets, raise additional debt or equity financing in amounts that could be substantial, or restructure or refinance all or a portion of our debt, including the Notes, on or before maturity. We cannot guarantee that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all, or that those actions would secure sufficient funds to meet our obligations under our indebtedness.

In particular, our ability to restructure or refinance our debt will depend in part on our financial condition at such time as well as on many factors outside of our control, including then prevailing conditions in the international credit and capital markets. Any refinancing of our debt could be at higher interest rates than our current debt and may require us to comply with more onerous covenants. The terms of existing or future debt instruments and the Indenture and the Senior Facilities Agreement may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest or principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness.

Further, we may be compelled to restructure or refinance all or a portion of our debt, including the Notes, on or before their maturity. We may face the additional risk that in order to refinance our debt, we could be required to agree to more onerous covenants, which would further restrict our business operations.

In the absence of operating results and resources sufficient to service our indebtedness we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The terms of our indebtedness, including the terms of the Indenture and the Senior Facilities Agreement, will restrict our ability to transfer or sell assets and the use of proceeds from any such disposal. We may not be able to carry out certain disposals or to obtain the funds that we could have realized from the proceeds of such dispositions, and any proceeds we do realize from asset dispositions may not be adequate to meet any of our debt service obligations then due. These alternative measures may not be successful and may not permit us to meet our debt service obligations.

Drawings under the Senior Facilities Agreement will bear interest at floating rates that could rise significantly, increasing our costs and reducing our cash flow.

The drawings under the Senior Facilities Agreement bear, and future indebtedness that we may incur could bear, interest at floating rates of interest per annum equal to EURIBOR (or any replacement benchmark) as adjusted periodically, plus a margin. These interest rates could rise significantly in the future. Although we intend to enter into certain hedging arrangements designed to fix a portion of these rates, there can be no assurance that hedging will be available or continue to be available on commercially reasonable terms. To the extent that interest rates or any drawings were to increase significantly, our interest expense would correspondingly increase, reducing our cash flow.

Following allegations of manipulation of LIBOR, a measure of interbank lending rates, regulators and law enforcement agencies from a number of governments and the European Union are conducting investigations into whether the banks that contribute data in connection with the calculation of daily EURIBOR or the calculation of LIBOR may have been manipulating or attempting to manipulate EURIBOR and LIBOR. In addition, LIBOR, EURIBOR and other interest rates or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform, including the implementation of the IOSCO Principles for Financial Market Benchmarks (July 2013) and the new European regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, which entered into force on June 30, 2016. Following the implementation of any such reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on July 27, 2017, the U.K. Financial Conduct Authority 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 FCA Announcement and a subsequent speech by the Director of Markets and Wholesale Policy at the FCA on January 28, 2019 indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed, and market participants should not rely on its publication after 2021. 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 LIBOR is determined, which could require an adjustment to the terms and conditions, or result in other consequences, in respect of any debt linked to such benchmark. Any such change, as well as manipulative practices or the cessation thereof, may result in a sudden or prolonged increase in reported EURIBOR or LIBOR, which could have an adverse impact on our ability to service debt that bears interest at floating rates of interest.

Risks Related to the Notes

Holders of the Notes will not control certain decisions regarding the Collateral and other distressed disposals.

From and following the Issue Date, the Notes and the Guarantee will be secured with security interests over Collateral that also secure the obligations under the Senior Facilities Agreement, any outstanding hedging or cash management liabilities and/or liabilities in connection with additional bilateral agreements that are permitted to be secured by the same collateral. In addition, under the terms of the Indenture, the Issuer and its restricted subsidiaries will be permitted to incur significant additional indebtedness and other obligations that may be secured by the same Collateral on a *pari passu* basis.

The Intercreditor Agreement provides that a common Security Agent, who also serves as the security agent for the lenders under the Senior Facilities Agreement, the hedging obligations, the cash management obligations and/or liabilities in connection with additional bilateral agreements which are permitted by the Indenture to be secured with security interests over the Collateral, and any additional debt permitted to be incurred and secured with security interests over Collateral by the Indenture, will act only as provided for in the Intercreditor Agreement and the Security Documents. The Intercreditor Agreement regulates the ability of the Trustee or the holders of the Notes to instruct the Security Agent to take enforcement action. The Security Agent is not required to take enforcement action unless instructed to do so by an Instructing Group (as defined herein under "*Description of Certain Financing Arrangements—Intercreditor Agreement*") that, as of the Issue Date, comprises creditors holding in aggregate more than 50% of the aggregate commitments or loans under the Existing Facilities and the Notes. As of the Issue Date and after giving effect to the Transactions (including the use of proceeds therefrom), the aggregate principal amount of the commitments and loans under the Existing Facilities will be greater than the aggregate principal amount of the Notes. As a result, holders of Notes will not have effective control of whether to enforce the security interests in the Collateral and as to the manner of such enforcement. In addition, the Indenture will permit us to incur additional indebtedness that may be secured by the Collateral on a *pari passu* basis. To the extent we incur additional indebtedness that is secured on a *pari passu* basis with the Notes, the voting interest of holders of the Notes in an instructing group will be diluted commensurately with the amount of indebtedness we incur.

The lenders under the Senior Facilities Agreement and other indebtedness that we may incur in the future 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 in respect of the Collateral at a time when it would be and/or in a manner that 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 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 value.

In addition, if the Security Agent sells Collateral comprising the shares of the Issuer, a debtor or any holding company of a debtor as a result of an enforcement action or other distressed disposal in accordance with the Intercreditor Agreement, claims under the Notes and/or the Guarantee against, and the liens over any other assets of, such entities may be released. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Notes—Security; Release of Collateral*".

The Collateral may not be sufficient to secure the obligations under the Notes.

The Notes and the Guarantee will be secured by security interests in the Collateral described in this Offering Memorandum, which Collateral will also secure the obligations under the Senior Facilities Agreement, certain cash management obligations, certain hedging obligations and/or liabilities in connection with additional bilateral agreements. The Collateral may also secure additional debt ranking *pari passu* with the Notes (including non-priority hedging arrangements) to the extent permitted by the terms of the Indenture and the Intercreditor Agreement. The rights of the holders of the Notes to the Collateral may therefore be diluted by any increase in the *pari passu* debt secured by the Collateral or a reduction of the Collateral securing the Notes.

The value of the Collateral and the amount to be received upon an enforcement of such Collateral will depend upon many factors, including the ability to sell the Collateral in an orderly sale, the condition of the economies in which our 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. Likewise, there can be no assurance 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 our liquidation. In addition, the share pledges over the shares of an entity may be of no value if that entity is subject to an insolvency or bankruptcy proceeding.

Certain of the security interests granted in favor of the holders of the Notes will not rank pari passu with the security interests granted in favor of the lenders under the Senior Facilities Agreement and holders of the Notes are relying on the Intercreditor Agreement to achieve a first priority lien in respect of the Collateral securing the Notes.

We will enter into new Security Documents over the Collateral to secure the indebtedness represented by the Notes. 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 Senior Facilities Agreement. However, pursuant to the terms of the Intercreditor Agreement, the Notes will be treated and deemed to be secured by the Collateral on a *pari passu* basis with the Senior Facilities Agreement. Therefore, the first-priority right in the Collateral granted in favor of the holders of the 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 Notes would not benefit from such first-priority treatment and the security interests granted in favor of the holders of the Notes would rank behind, and be subordinated to, any prior-ranking security interests, including the security interests granted in favor of the lenders under the Senior Facilities Agreement.

The granting of shared security interests in connection with the incurrence of permitted debt in the future may create or restart hardening periods, i.e. the periods of time following the granting of security interests during which such security interest may be challenged in accordance with German law.

The granting of shared security interests to secure future indebtedness permitted to be secured on the Collateral may restart or reopen hardening periods for such security interests in Germany or certain jurisdictions, in particular as the Indenture will permit 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 period for these new security interests can run from the moment each new security interest has been granted or perfected. If the security interests granted or recreated were to be enforced before the end of the respective hardening period applicable in such jurisdiction, it may be declared void or ineffective and it may not be possible to enforce it. Please see "*Certain Limitations on Validity and Enforceability of the Guarantee and the Collateral and Certain Insolvency Law Considerations".*

The same rights also apply following the Offering in connection with the accession of further subsidiaries as additional guarantors and the granting of security interests over their relevant assets and equity interests for the benefit of the noteholders. See "*Description of the Notes—Security; Release of Collateral".*

The Guarantee and each security interest may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability.

The Guarantee will provide the holders of the Notes with a direct, limited recourse claim against the Parent Guarantor and, as a result will be limited to the proceeds from enforcement of the pledge over the issued share capital of the Issuer. In addition, the Issuer and the Parent Guarantor will secure the payment of the Notes by granting security under the relevant Security Documents. However, each security interest granted under a Security Document will be limited in scope to the value of the relevant assets expressed to be subject to that security interest and the Indenture will provide that the Guarantee will be limited to the maximum amount that can be guaranteed by the Parent Guarantor, without rendering the Guarantee/ security interest voidable or otherwise ineffective under German or other applicable law or without resulting in a breach of any applicable law, and enforcement of each Guarantee/Security Document would be subject to certain generally available defenses. These laws and defenses include those that relate to corporate benefit, fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally. See "*Certain Limitations on Validity and Enforceability of the Guarantee and the Collateral and Certain Insolvency Law Considerations*".

Although laws differ among various jurisdictions, in general, under fraudulent conveyance and other laws, guarantees and security interests can be challenged (by the insolvency administrator in case of insolvency of the Parent Guarantor, or by any of the creditors of the Parent Guarantor outside insolvency), and a court could declare unenforceable against third parties (including the beneficiaries thereof) and/or void, any legal act performed by the Parent Guarantor (including the granting by it of the Guarantee or the security interests granted under the Security Documents, see "*Certain Limitations on Validity and Enforceability of the Guarantee and the Collateral and Certain Insolvency Law Considerations*") and, if payment had already been made under the Guarantee or enforcement proceeds applied under a Security Document, require that the recipient (and possibly, subsequent transferees thereof) return the payment to the relevant Guarantor, if the court found, *inter alia*, that:

- the amount paid or payable under the Guarantee or the enforcement proceeds under the relevant Security Document was in excess of the maximum amount permitted under applicable law;
- the Guarantee or the relevant security interest under a Security Document was incurred with actual intent to hinder, delay or defraud creditors or shareholders of the Parent Guarantor or, in certain jurisdictions, even when the recipient was simply aware that the Parent Guarantor was insolvent when it granted the Guarantee or relevant security interest;
- the Parent Guarantor did not receive fair consideration or reasonably equivalent value for granting the Guarantee/relevant security interests and the Parent Guarantor was: (i) insolvent or rendered insolvent because of the Guarantee/relevant security interest; (ii) undercapitalized or became undercapitalized because of the relevant Guarantee/Security Document; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity; and/or
- the Guarantee/relevant Security Documents were held to exceed the corporate objects of the Parent Guarantor or not to be in the best interests or for the corporate benefit of the Parent Guarantor or security provider.

Under the German Insolvency Code (*Insolvenzordnung*), an insolvency administrator (*Insolvenzverwalter*) or custodian (*Sachwalter*) may challenge (*anfechten*) transactions (*Rechtsgeschäft*) or acts (*Rechtshandlungen*) that are deemed detrimental to insolvency creditors and which were effected prior to the opening of formal insolvency proceedings during applicable avoidance periods.

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

The Collateral securing the Notes will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture and the Intercreditor Agreement and accepted by other creditors that have the benefit of first-priority security interests in the Collateral securing the Notes from time to time, whether on or after the date the Notes are first issued. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral securing the Notes, 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, statutory liens or characterization under the laws of certain jurisdictions.

The security interests granted in favor of the Security Agent will be subject to practical problems generally associated with the realization of security interests in Collateral in certain jurisdictions. The Security Agent may also need to obtain the consent of a third party to enforce a security interest. There can be no assurance that the Security Agent will be able to obtain any such consent. We also cannot assure holders of the Notes that the consents of any third parties will be given when required to facilitate a sale of, or foreclosure on, such assets. Accordingly, the Security Agent may not have the ability to sell or foreclose upon those assets, and the value of the Collateral may significantly decrease.

In addition, the Issuer and the Parent Guarantor will have control over certain of the Collateral, and the sale of particular assets could reduce the pool of assets securing the Notes.

The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of the Notes. The ability of the Security Agent to enforce certain of the Collateral may be restricted by applicable law.

The security interests in the Collateral that will secure our obligations under the Notes and the obligations of the Parent Guarantor under the Guarantee will not be granted directly to the holders of the Notes but will be granted in favor, among others, of the Security Agent on behalf of the Trustee and the holders of

the Notes in accordance with the Indenture, the Intercreditor Agreement and the Security Documents related to the Collateral. The Indenture will provide (along with the Intercreditor Agreement) that only the Security Agent has the right to enforce the Security Documents. As a consequence, holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee, who will (subject to the provisions of the Indenture and the Intercreditor Agreement) provide instructions to the Security Agent in respect of the Collateral.

Under German law, accessory security interests such as pledges over shares or bank accounts cannot be granted to a party other than the creditor of the claim which is purported to be secured by such security interests. In this respect, the Intercreditor Agreement will provide for the creation of a so-called parallel debt obligation (the "**Parallel Debt**") in favor of the Security Agent mirroring the obligations of the Issuer and the Parent Guarantor toward the holders of the Notes under or in connection with the Indenture (the "**Principal Obligations**"). Under the provisions of the Intercreditor Agreement, the Parallel Debt will at all times be in the same amount and payable at the same time as the Principal Obligations and any payment in respect of the Principal Obligations discharges the corresponding Parallel Debt and any payment in respect of the Parallel Debt discharges the corresponding Principal Obligations, in each case, by the amount of such payment.

Certain of the Security Documents will directly secure the Parallel Debt, and may not directly secure the obligations under the Indenture and the Notes. In Germany there is no statutory or case law available on the validity or enforceability of the parallel debt construct or the security provided for such parallel debt. To the extent the Parallel Debt construct would be successfully challenged by other parties, holders of the Notes will not be entitled to receive any proceeds from the enforcement of the security interests in the relevant Collateral. In addition, holders of the Notes will bear the risk associated with the possible insolvency or bankruptcy of the Security Agent or a breach of its obligations as Security Agent towards the secured creditors. See "*Certain Limitations on Validity and Enforceability of the Guarantee and the Collateral and Certain Insolvency Law Considerations*".

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, all of the holders of Notes will be deemed to have consented to such tender offer or other offer and, accordingly, the Indenture will permit the Issuer, at its option, to redeem the remaining outstanding Notes at a price equivalent to that paid pursuant to such purchase or tender offer (excluding any early tender premium). As a consequence, holders of the Notes may be required to surrender the Notes 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 they expect to receive on the Notes. See "*Description of the Notes—Optional Redemption upon Certain Tender Offers*".

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

The Indenture will provide that, if at any time following the Issue Date, the Notes receive a rating of "BBB−" or better from S&P or Fitch 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 or Fitch and below "Baa3" from Moody's, certain covenants will cease to be applicable to the Notes. See "*Description of the Notes—Covenants—Suspension of Covenants*". If these covenants were to cease to be applicable, we 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.

The transfer of the Notes is restricted, which may adversely affect their liquidity and the price at which they may be sold.

The Notes and the Guarantee have not been registered under, and the Issuer and the Parent Guarantor are not obliged to register the Notes or the Guarantee under, the U.S. Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act

and any other applicable laws. See "*Transfer Restrictions".* The Issuer and the Parent Guarantor have not agreed to or otherwise undertaken to register the Notes or the Guarantee, and do not have any intention to do so.

The market value of the Notes may be adversely affected if additional notes are considered to have OID and are not distinguishable from the Notes.

The Issuer may issue additional notes ("**Additional Notes**") as described under "*Description of the Notes*". These Additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes in some cases, may be treated as a separate series for U.S. federal income tax purposes. In such a case, the Additional Notes may be considered to have OID which may adversely affect the market value of the original Notes as it will not be possible to distinguish the original Notes from the Additional Notes.

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

Unless and until the Notes are 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 Notes. The common depository (or its nominee) for Euroclear and Clearstream will be the sole registered holder of the global notes. Payments of principal, interest and other amounts owing on or in respect of the relevant global notes representing the Notes will be made to Deutsche Bank AG, London Branch, as Paying Agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if holders own a book-entry interest in the Notes, they must rely on the procedures of Euroclear and Clearstream and if they are not a participant in Euroclear and/or Clearstream, on the procedures of the participant through which they own an interest, to exercise any rights and obligations of a holder of the Notes under the Indenture.

Unlike the holders of the 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 Notes. Instead, if holders of the Notes own a book-entry interest, they will be permitted to act only to the extent they have received appropriate proxies to do so from Euroclear and Clearstream 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 holders of the Notes to vote on any matters or on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until the definitive registered Notes are issued in respect of all book-entry interests, if a holder owns a book-entry interest, it will be restricted to acting through Euroclear and Clearstream. There can be no assurance that the procedures to be implemented through Euroclear and Clearstream will be adequate to ensure the timely exercise of rights under the Notes.

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

There can be no assurance as to:

- the liquidity of any market in the Notes;
- the ability of holders of the Notes to sell their Notes; or
- the prices at which holders of the Notes would be able to sell their Notes.

Future trading prices for the Notes will depend on many factors, including, among other things, prevailing interest rates, our 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 Notes. The liquidity of a trading market for the 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. The trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. It is possible that the market for the Notes will be subject to

disruptions. Any such disruption may have a negative effect on holders of the Notes regardless of our prospects and financial performance. As a result, there is no assurance that there will be an active trading market for the Notes. If no active trading market develops, holders of the Notes may not be able to resell their holding of the Notes at a fair value, if at all.

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

Although an application will be made for the Notes to be listed on the Official List of the Exchange, there can be no assurance that the Notes will become or remain listed. Although no assurance is made as to the liquidity of the Notes as a result of the admission to trading on a stock exchange, failure to be approved for listing or the delisting (whether or not for an alternative admission to listing on another stock exchange) of the Notes, as applicable, from the Official List of the Exchange may have a material effect on a holder's ability to resell the Notes, as applicable, in the secondary market.

In addition, the Indenture will allow us to issue additional notes in the future which could adversely impact the liquidity of the Notes.

Risks Related to our Structure

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

There are circumstances other than the repayment or discharge of the Notes in full under which the security interests over the Collateral, the Guarantee or any future guarantee of the Notes will be released automatically without the consent of the holders of the Notes or the Trustee. Under various circumstances, all or a portion of the security interests over the Collateral may be released automatically, including:

- the sale or other disposition of such property or asset to a person that is not the Issuer or a Restricted Subsidiary, if the sale or other disposition does not violate the provisions of the covenant described under "*Description of the Notes—Covenants-Limitation on Asset Sale*";
- in the case of a Guarantor that is releases from its Guarantee, the release of the property, asset and capital stock of such Guarantor;
- if the Issuer designates any of its Subsidiaries to be an Unrestricted Subsidiary as permitted under and in compliance with the Indenture, the release of the property, asset and capital stock of such Subsidiary;
- with respect to any property or assets that become Collateral pursuant to clause (a)(ii) of the provisions of the covenant described under "*Description of the Notes—Covenants—Limitation on Liens*", upon the release and discharge (other than as a result of an enforcement action) of the initial lien that gave rise to the obligation to provide for the benefit of the holders of the Notes, to the extent that such initial lien does not secure any other Pari Passu Indebtedness (as defined under "*Description of the Notes—Certain Definitions*");
- in accordance with the provisions of the Intercreditor Agreement or any Security Document; and
- as a result of a transaction permitted by the provisions of the covenant described under "*Description of the Notes—Covenants—Mergers and Consolidation*".

Under various circumstances, the Guarantee and any future guarantee of the Notes will be released automatically, including:

- (i) other than in respect of the Parent Guarantor, upon the sale or other disposition of any capital stock of the relevant future Guarantor as a result of which such guarantor would no longer be a Restricted Subsidiary or (ii) the sale or other disposition of all or substantially all of the assets of a Guarantor to a person that is not the Issuer or a Restricted Subsidiary, if the sale or other disposition does not violate the provisions of the covenant described under "*Description of the Notes—Covenants-Limitation on Asset Sale*";
- upon the release of the guarantee of Indebtedness that resulted in the creation of the relevant guarantee of the Notes under the covenant described below under "*Description of the Notes—Covenants—Future Guarantors*" so long as no Event of Default would arise as a result and no other Indebtedness of the Issuer or any Guarantor at that time is guaranteed by the relevant Guarantor;

- if the Issuer designates any of its Subsidiaries that have guaranteed the Notes to be an Unrestricted Subsidiary as permitted under and in compliance with the Indenture;
- in accordance with the provisions of the Intercreditor Agreement or any Security Document; and
- as a result of a transaction permitted by the provisions of the covenant described under "*Description of the Notes—Covenants—Mergers and Consolidation*".

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

Although the Indenture restricts the Issuer's and its restricted subsidiaries' ability to pledge any assets as collateral to secure other debt and requires the Issuer and its restricted subsidiaries to secure the Notes equally and ratably if we pledge any assets for the benefit of certain other debt, both the restriction on pledging assets or incurring liens and the requirement to provide equal security to the Notes are subject to a number of significant exceptions and carve-outs. See "*Description of the Notes—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 Notes or Guarantee equally and ratably. To the extent the Issuer or any of its restricted subsidiaries pledges any assets for the benefit of other debt without also securing the Notes, the Notes and the Guarantee will be effectively subordinated to such debt to the extent of the value of such assets. As a result of the foregoing, holders of (present or future) secured debt of the Issuer and the Parent Guarantor may recover disproportionately more on their claims than the holders of the Notes in an insolvency, bankruptcy or similar proceeding. The Issuer and the Parent Guarantor may not have sufficient assets remaining to satisfy our obligations under the Notes or the Guarantee, respectively.

The Notes and the Guarantee will each be structurally subordinated to the liabilities and preference shares (if any) of our subsidiaries.

On the Issue Date, the Notes will be senior obligations of the Issuer and the Parent Guarantor will guarantee the Notes. For the twelve months ended September 30, 2019, the Issuer (before consolidating effects) represented 100.4% of our consolidated EBITDA and, as of September 30, 2019, the Issuer represented 100.0% of our total assets. As of the Issue Date, all of the Issuer's subsidiaries will be Restricted Subsidiaries. The Parent Guarantor is a holding company without independent business operations whose only significant assets are the shares in the Issuer and rights under certain loans made to the Issuer. As of the Issue Date, none of our subsidiaries will guarantee the Notes. Generally, claims of creditors of a non-guarantor subsidiary, including trade creditors, and claims of preference shareholders (if any) of the subsidiary, will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims by holders of the Notes. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of our non-guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity. As such, the Notes and the Guarantee will each be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of our subsidiaries.

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

Under certain applicable law, a security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor of the security. The security interests in the Collateral securing the Notes may not be perfected with respect to the claims of the Notes if we, or the Security Agent, fail or are unable to take the actions required to perfect any of these security interests. Absent perfection, the Security Agent, on behalf of the holders of the Notes, may have difficulty enforcing or be entirely unable to enforce rights in the Collateral in competition with third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral. See "*Certain Limitations on Validity and Enforceability of the Guarantee and the Collateral and Certain Insolvency Law Considerations*".

The insolvency laws of the Germany and other jurisdictions may not be as favorable to holders of the Notes as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes.

The Issuer is incorporated under the laws of Germany and has its statutory seat in Germany. Therefore, Germany is presumed to be the center of main interests of the Issuer and the Issuer can be subjected to insolvency proceedings in this jurisdiction. Such insolvency proceedings applicable to the Issuer will be governed by German insolvency laws, subject to certain exceptions as provided for in the EU Insolvency Regulation. German insolvency laws are different from the insolvency laws of other jurisdictions, and this may limit a prospective investor's ability to recover payments due on the Notes to an extent exceeding the limitations arising under other insolvency laws. See "*Certain Limitations on Validity and Enforceability of the Guarantee and the Collateral and Certain Insolvency Law Considerations*".

In addition, under German insolvency laws, the validity of an appointment of an agent for service of process granted by a German entity, such as the appointment by the Issuer of agents for service of process under New York law under the Indenture and under English law under the Intercreditor Agreement, is uncertain. Furthermore, such appointments will terminate automatically in the case of an insolvency of the Issuer. As such, the ability of the holders of the Notes to bring suit against the Issuer or the Parent Guarantor in New York or England may be limited.

The Parent Guarantor is incorporated under the laws of Germany. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in Germany or another relevant jurisdiction. The bankruptcy, insolvency, administrative and other laws of the Issuer's and the Parent Guarantor's or any future guarantor's 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 the ability of the holders of the Notes and the Trustee to enforce their rights under the Notes and the Guarantee in those jurisdictions or limit any amounts that holders of the Notes may receive. See "*Certain Limitations on Validity and Enforceability of the Guarantee and the Collateral and Certain Insolvency Law Considerations*" with respect to the jurisdictions mentioned above.

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

Upon the occurrence of certain events constituting a "change of control", the Issuer would be required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. If a change of control were to occur, there can be no assurance that we would have sufficient funds available at such time, or that we would have sufficient funds to provide to the Issuer to pay the purchase price of the outstanding Notes or that the restrictions in the Senior Facilities Agreement, the Indenture, the Intercreditor Agreement or our other existing contractual obligations would allow us to make such required repurchases. A change of control may result in an event of default under, acceleration of, or an obligation to mandatorily prepay the Existing Facilities and other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. The ability of the Issuer to receive cash from its subsidiaries to allow it to pay cash to the holders of the Notes following the occurrence of a change of control may be limited by our then existing financial resources. If an event constituting a change of control occurs at a time when we are prohibited from providing funds to the Issuer for the purpose of repurchasing the Notes, we may seek the consent of the lenders under such indebtedness to the purchase of the Notes or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the Issuer will remain prohibited from repurchasing any Notes. In addition, we expect that we would require third-party financing to make an offer to repurchase the Notes upon a change of control. There can be no assurance that we would be able to obtain such financing. Any failure by the Issuer to offer to purchase the Notes would constitute a default under the Indenture which would, in turn, constitute a default under the Senior Facilities Agreement and certain other indebtedness. See "*Description of the Notes—Repurchase at the Option of Holders upon a Change of Control*".

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 holders of the Notes 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—Repurchase at the Option of Holders upon a 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, upon the occurrence of a change of control event would result in an event of default under the Notes. There can be no assurance that we would have sufficient funds to repay our outstanding indebtedness which we would be required to prepay or offer to purchase or that became immediately due and payable as a result. We may require additional financing from third parties to fund any such purchases and there can be no assurance that we would be able to obtain financing on satisfactory terms or at all. Restrictions in our other then-existing contractual obligations may also restrict us from making such required repurchases.

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

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

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

As of the date of this Offering Memorandum, our shareholders, directly or indirectly, were certain members of the Braun family. See "*Principal Shareholders*". The interests of our ultimate shareholders could conflict with the interests of the holders of the Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due. Our shareholders could also have an interest in pursuing acquisitions, divestitures, financings, dividend distributions or other transactions that, in their judgment, could enhance their equity investments, although such transactions might involve risks to the holders of the Notes. Finally, our direct and indirect shareholders may have strategic objectives or business interests that could conflict with our own strategies or interests. If the interests of our principal shareholders conflict with our interests or the interests of the holders of the Notes, or if our principal shareholders engage in activities or pursue strategic objectives that conflict with our interests or the interest of the holders of the Notes, we and holders of the Notes could be disadvantaged.

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

The Notes will be denominated and payable in euro. If investors measure their investment returns by reference to a currency other than euro, an investment in the Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the values of the euro relative to the currency by reference to which investors measure the return on their investments because of economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which investors measure the return on their investments could cause a decrease in the

effective yield of the Notes below their stated coupon rates and could result in a loss to investors when the return on the Notes is translated into the currency by reference to which the investors measure the return on their investments. There may be tax consequences for you as a result of any foreign exchange gains or losses from any investment in the Notes. See "*Taxation—Certain U.S. Federal Income Tax Considerations*" if you are a U.S. holder whose functional currency is the U.S. dollar.

Holders of the Notes may not be able to recover in civil proceedings for U.S. securities law violations.

The Issuer and the Parent Guarantor and their respective subsidiaries are organized outside the United States, and the substantial majority of our business is conducted outside the United States. We expect the directors, managers and/or executive officers of the Issuer and the Parent Guarantor to be non-residents of the United States, and all or substantially all of their assets will be located outside the United States. Although we and the Parent Guarantor will submit to the jurisdiction of certain U.S. federal and New York state courts in connection with any action under U.S. securities laws, holders of the Notes may be unable to effect service of process within the United States on these directors, managers and executive officers. In addition, as substantially all of the assets of the Issuer and the Parent Guarantor and their respective subsidiaries and those of their directors and executive officers are located outside of the United States, holders of the Notes may be unable to enforce judgments obtained in the U.S. courts against them. Moreover, in light of decisions of the U.S. Supreme Court, actions of the Issuer and the Parent Guarantor may not be subject to the provisions of the federal securities laws of the United States. The United States is not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters with Germany. There is, therefore, doubt as to the enforceability in Germany of U.S. securities laws in an action to enforce a U.S. judgment in such jurisdictions. In addition, the enforcement in Germany of any judgment obtained in a U.S. court, whether or not predicated solely upon U.S. federal securities laws, will be subject to certain conditions. There is also doubt that a court in Germany would have the requisite power or authority to grant remedies sought in an original action brought in such jurisdictions on the basis of U.S. securities laws violations. See "*Service of Process and Enforceability of Civil Liabilities*".

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

One or more independent credit rating agencies are expected to assign credit ratings to the Notes. The credit ratings address our ability to perform our obligations under the terms of the Notes and 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 herein and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

USE OF PROCEEDS

We expect the gross proceeds of the Offering to be €500.0 million. We will use the gross proceeds from the Offering together with cash on hand to (i) repay the Refinancing Indebtedness (including accrued and unpaid interest as well as premiums, prepayment fees and breakage costs, if any), (ii) finance the purchase price for the Sake Acquisition and (iii) pay costs, fees and expenses related to the Transactions.

The following table sets forth the estimated sources and uses of the Transactions. 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 Transactions, depending on several factors, including differences from our estimate of fees, expenses, debt balances and accrued interest. You should read the table below in conjunction with the information contained elsewhere in this Offering Memorandum, particularly under the headings "*Capitalization*" and "*Description of Certain Financing Arrangements*".

Sources	(€ in million)	Uses	(€ in million)
Notes offered hereby[1]	500.0	Repayment of Refinancing Indebtedness[2]	409.8
Cash on hand	29.4	Purchase price of the Sake Acquisition[3]	110.0
		Estimated transaction costs[4]	9.6
Total	**529.4**	**Total**	**529.4**

(1) Reflects the gross proceeds from the issuance of the Notes.

(2) Refinancing Indebtedness comprises of (i) €294.6 million principal amount outstanding under the Revolving Credit Facility plus accrued but unpaid interest and break costs (if any) as of an assumed Issue Date and (ii) USD 124 million principal amount outstanding under the Bridge Facility Agreement plus accrued but unpaid interest and break costs (if any) as of an assumed Issue Date (converted into euro at an assumed exchange rate of 1.1071 USD per euro). Actual amounts may differ.

(3) Represents the provisional purchase price for the Sake Acquisition plus an estimated purchase price for the related inventory. The actual purchase price payable at closing may differ due to, among other things, changes in net sales for the Sake Portfolio between signing and closing and changes in the amount of inventory that we are required to purchase at closing. Any difference between the estimated purchase price for the Sake Acquisition and the actual purchase price payable at closing will be funded from cash on hand.

(4) Represents an estimate of the underwriting fees, commitment fees, commissions, legal and other professional fees and other costs and expenses related to the Transactions. Actual fees and expenses may differ.

CAPITALIZATION

The following table sets forth our consolidated securities and bank balances and cash-in-hand and our consolidated capitalization, as of September 30, 2019, on a historical basis and as adjusted to give effect to (i) the Acquisitions (to the extent funded from cash), drawdowns under the Revolving Credit Facility (to the extent after September 30, 2019) and the drawdown under the Bridge Facility and (ii) the Transactions (including the use of proceeds as set out above under "*Use of Proceeds*"). The adjusted information below is illustrative only and does not purport to be indicative of our capitalization following completion of the Acquisitions and the Transactions.

This table should be read in conjunction with "*Use of Proceeds*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Description of the Notes*", "*Description of Certain Financing Arrangements*" and the Unaudited Interim Consolidated Financial Statements, including the notes thereto, included elsewhere in this Offering Memorandum. Except as set forth below, there have been no other material changes to our capitalization since September 30, 2019.

	As of September 30, 2019			
	Actual	Adjustments between September 30 and December 31, 2019	Adjustments related to the Transactions	As Adjusted
	in € millions (unaudited)			
Securities and bank balances and cash-in-hand[1]	**25.6**	**21.6**[8]	**(29.4)**	**17.8**
Term Loan Facilities[2]	980.0	—	—	980.0
Revolving Credit Facility[2]	150.0	144.6	(294.6)	—[10]
Bridge Facility[3]	—	112.0	(112.0)	—
Notes offered hereby[4]	—	—	500.0	500.0
Total Financial Indebtedness[5]	**1,130.0**	**256.6**	**93.4**	**1,480.0**
Liabilities to related parties[6]	30.1	—	—	30.1
Total equity	**125.3**	**—**[9]	**—**[9]	**125.3**[9]
Total capitalization[7]	**1,285.4**	**256.6**	**93.4**	**1,635.4**

(1) Represents the sum of securities and bank balances and cash-in-hand.

(2) Represents the nominal amount of borrowings outstanding under the Term Loan Facilities and the Revolving Credit Facility, respectively, presented as non-current other financial debts in the balance sheet. Does not reflect capitalized transaction costs in connection with the Senior Facilities Agreement of €16.8 million as of September 30, 2019 and accrued but unpaid interest as of September 30, 2019.

(3) Represents the nominal amount of borrowings outstanding under the Bridge Facility (converted into euro at an assumed exchange rate of 1.1071 USD per euro). The Bridge Facility will be repaid in full in connection with the Transactions.

(4) Represents the aggregate principal amount of the Notes to be issued in the Offering.

(5) Does not include current other financial liabilities in an amount of €8.3 million which are mainly result from derivative financial instruments in the amount of €6.3 million.

(6) Represents the carrying amount of the obligations under a loan granted by CheplaFinance 2 GmbH, which matures in 2026. As of September 30, 2019, the carrying amount of such loan was equal to the nominal amount. See "*Certain Relationships and Related Party Transactions—Shareholder Loan Agreement with CheplaFinance 2 GmbH*".

(7) Represents the sum of total Financial Indebtedness, liabilities to related parties and total equity.

(8) Includes management estimate of cash generated between September 30 and December 31, 2019 (approximately €4.6 million) as well as adding back cash used for Lexotan Japan (approximately €9 million) and ZR Pharma (approximately €8 million), for which incremental EBITDA contributions is not reflected in Adjusted EBITDA as of and for the twelve months ended September 30, 2019. See "*Summary—Recent Developments*".

(9) Assumes that any fees and expenses incurred in connection with the Acquisitions and Transactions are capitalized, not considering any tax effect.

(10) The Revolving Credit Facility will be repaid in full without being cancelled in connection with the Transactions.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth selected historical consolidated financial information of the Company as of and for the years ended December 31, 2016, 2017 and 2018 and as of and for the nine months ended September 30, 2018 and 2019.

The financial information marked as "audited" in tables in this Offering Memorandum is extracted from the Audited Consolidated Financial Statements. Financial information marked as "unaudited" in tables in this Offering Memorandum is not extracted from the Audited Consolidated Financial Statements but is either extracted from the Unaudited Interim Consolidated Financial Statements or the Company's internal accounting system or is based on calculations of figures of the abovementioned sources.

You should read the information set forth below in conjunction with the sections "*Presentation of Financial and Other Information*", "*Use of Proceeds*", "*Capitalization*", "*Summary Consolidated Financial Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Consolidated Financial Statements, including the notes thereto, included elsewhere in this Offering Memorandum.

Selected Consolidated Income Statement

	Year ended December 31,			Nine months ended September 30,	
	2016	2017	2018	2018	2019
			in € thousands		
		(audited)		(unaudited)	
Revenue	132,535	236,843	314,710	203,027	348,943
Change in inventories	0	10,831	3,896	117	23,588
Other operating income	167	884	15,879	4,478	2,544
Cost of materials	(41,900)	(75,631)	(95,610)	(56,952)	(128,393)
Personnel expenses	(6,636)	(10,542)	(15,652)	(11,005)	(14,600)
Amortization, depreciation and impairments	(39,020)	(76,459)	(103,738)	(79,947)	(109,159)
Other operating expenses	(14,576)	(29,519)	(39,364)	(31,050)	(44,060)
Results of operating activities	**30,570**	**56,407**	**80,121**	**28,668**	**78,863**
Net income/(loss) from investments	95	1,584	3,397	(1,206)	556
Interest income	55	46	31	19	15,891
Interest expenses	(5,956)	(17,732)	(67,205)	(49,549)	(57,345)
Net finance cost	**(5,806)**	**(16,102)**	**(63,777)**	**(50,736)**	**(40,898)**
Earnings/(loss)before income taxes	**24,764**	**40,305**	**16,344**	**(22,068)**	**37,965**
Taxes on income	(7,067)	(13,145)	(6,497)	3,156	(18,071)
Earnings/(loss) after income taxes	**17,697**	**27,160**	**9,847**	**(18,912)**	**19,894**

Selected Consolidated Statement of Financial Position Data

	As of December 31,			As of September 30,
	2016	2017	2018	2019
		in € thousands		
		(audited)		(unaudited)
Assets				
Non-current assets				
Intangible assets	330,668	384,120	779,703	1,115,343
Property, plant and equipment	3,932	4,345	9,963	12,908
Other financial assets	0	4,208	6	6
Deferred tax assets	86	0	336	0
Other non-current assets				
Non-financial assets	160	0	—	—
Derivatives	204	68	40	29
Total non-current assets	**335,050**	**392,741**	**790,048**	**1,128,286**
Current assets				
Inventories	20,304	37,141	79,241	98,612
Trade receivables	32,419	52,339	113,950	119,384
Receivables from affiliated companies	127	—	—	2,547
Income tax assets	262	256	32	0
Other current assets				
Non-financial assets	1,162	3,983	3,825	5,290
Financial assets	249	2,316	1,282	386
Securities	2,836	4,574	4,041	4,460
Bank balances and cash-in hand	33,534	42,504	86,363	21,162
Total current assets	**90,893**	**143,113**	**288,734**	**251,841**
Total assets	**425,943**	**535,854**	**1,078,782**	**1,380,127**
Equity and Liabilities				
Equity				
Share capital	25	25	25	25
Net profit brought forward	50,865	68,562	95,537	105,384
Other comprehensive income	733	315	467	0
Consolidated net profit	17,697	27,160	9,847	19,894
Total equity	**69,320**	**96,062**	**105,876**	**125,303**
Non-current liabilities				
Loans granted by related parties	36,544	36,607	—	—
Mezzanine loan notes	40,679	63,426	—	—
Other financial debts	195,165	183,192	818,835	1,097,395
Liabilities to affiliated companies	—	—	32,129	30,129
Deferred tax liabilities	24,828	32,952	33,848	37,144
Other financial liabilities	268	290	5,654	19,539
Total non-current liabilities	**297,484**	**316,467**	**890,466**	**1,184,207**
Current liabilities				
Other financial debts	43,506	98,324	7,562	3,725
Trade payables	12,706	14,364	44,763	41,987
Contractual liabilities	—	—	204	0
Liabilities to affiliated companies	728	752	1	0
Income tax liabilities	1,158	5,729	8,379	16,589
Other liabilities				
Non-financial liabilities	775	3,630	2,437	1,073
Financial liabilities	266	526	19,094	7,243
Total current liabilities	**59,139**	**123,325**	**82,440**	**70,617**
Total equity and liabilities	**425,943**	**535,854**	**1,078,782**	**1,380,127**

Selected Cash Flow Statement Data

	Year ended December 31,			Nine months ended September 30,	
	2016	2017	2018	2018	2019
			in € thousands		
		(audited)		(unaudited)	
Cash flow from operating activities	**54,070**	**97,379**	**98,668**	**67,699**	**140,019**
Cash flow from investing activities	**(226,125)**	**(135,095)**	**(466,924)**	**(493,962)**	**(453,015)**
Cash flow from financing activities	**188,044**	**46,132**	**412,643**	**416,476**	**249,250**
Net change in cash funds	15,989	8,416	44,387	(9,787)	(63,746)
Cash funds at the end of the period	32,131	40,491	84,908	30,734	21,162

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

The following discussion and analysis of financial condition and results of operations are based on the 2017 Audited Consolidated Financial Statements, the 2018 Audited Consolidated Financial Statements and the Unaudited Interim Consolidated Financial Statements, which are reproduced elsewhere in this Offering Memorandum.

You should read this discussion in conjunction with the Consolidated Financial Statements as well as the sections "Presentation of Financial and Other Information", "Selected Consolidated Financial Information", and "Capitalization" included elsewhere in this Offering Memorandum. The following discussion also include forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of risks and uncertainties facing us as a result of various factors, see "Forward-Looking Statements" and "Risk Factors".

Overview

We are a leading specialty pharmaceuticals company headquartered in Greifswald, Germany, with an international footprint and a broad portfolio of more than 90 products across more than ten therapeutic areas, including cardiology, oncology and infectious diseases. We focus on acquiring well established, off-patent, branded legacy and niche originator pharmaceutical products with predictable cash flows from large pharmaceutical companies. Pharmaceutical companies regularly seek to dispose of these products to reduce the complexity of their product portfolio and because these products no longer fit their business model, even if still profitable. They seek reliable and experienced buyers, such as us, to dispose of these products given that maintaining market supply is paramount to mitigate potential reputational risk. We have a strong track record of ensuring uninterrupted supply, and are typically able to generate additional value from these well established, off-patent branded legacy and niche originator products by reducing complexity and costs throughout the value chain. We achieve that due to our lean setup, including outsourced manufacturing, as well as through our outsourced global distribution capabilities. Since our inception in 1998, we have established relationships with more than ten different pharmaceutical companies by acquiring their products. We believe that our track record of successful acquisitions and our proven ability to integrate new products into our business in a timely and seamless manner make us a preferred partner for many large pharmaceutical companies, such as AstraZeneca, Bristol-Myers Squibb and Roche.

We operate a lean business model focused on (i) selecting and acquiring suitable off-patent, branded niche or legacy originator products or product portfolios that fit our disciplined acquisition criteria, (ii) managing the transfer of the required approvals to market them across various countries and (iii) integrating them into our established value chain of contract manufacturing organizations ("**CMOs**") and distributors. With no own manufacturing facilities or sales force, our asset light business model typically enables us to reduce production as well as sales and marketing costs by outsourcing production and distribution of our products to third parties. Our large network of CMOs allows us to choose the partner which is able to offer the lowest production costs and best quality for a specific product or pharmaceutical form. In addition, we may be able to achieve economies of scale and negotiate favorable terms with CMOs by bundling the production of various products with the same CMO.

We distribute our products in more than 120 countries across six continents, predominantly through our extensive network of distribution partners, with many of whom we have long-standing relationships. Not maintaining our own distribution capabilities in the majority of the countries we operate in allows us to choose local distribution partners who we believe are best suited for a specific product and to focus on the most efficient distribution channel. At the same time, we may be able to realize efficiencies by bundling the distribution of various products with the same distribution partner.

Given our business model and the off-patent status of our products, we do not develop products and have no research and development ("**R&D**") activities of our own. Therefore, we are not exposed to the significant risks and upfront investments that are associated with the development of new pharmaceutical products. In addition, given that our products have typically been on the market and off-patent for a prolonged time, there is a very limited need to invest in product improvements, line extensions or similar measures.

Our sales are well diversified by geography, therapeutic area and product. The table below provides an indication of the share of total sales represented by our ten largest products in our five largest geographic market for the nine months ended September 30, 2019:

	Atacand	Dilatrend	Xenical	Lexotan	Cyme-vene	Visudyne	Kona-kion	Fungi-zone	Deursil	Vesanoid
Switzerland*	<1%	<1%	1%	9%	1%	5%	<1%	<1%	<1%	<1%
Sweden*	15%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Italy	<1%	3%	<1%	<1%	<1%	<1%	<1%	<1%	3%	<1%
France	<1%	<1%	<1%	<1%	<1%	<1%	<1%	2%	1%	<1%
Germany	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%

* Shares in sales of Xenical®, Lexotan®, Cymeveme® and Visudyne® in Switzerland as well as of Atacand® in Sweden are influenced by the geographic location of sellers under the transitional services agreements (Roche and Novartis in Switzerland and AstraZeneca in Sweden).

As a result of this diversification, we are not dependent on a single product or geography. Our products are used by a diverse customer base including consumers, doctors, pharmacies, hospitals, mail-order companies, buying groups, wholesalers and other service providers in the healthcare market, as well as public or private health insurance organizations. We estimate that our primary customer groups are physicians, hospitals and patients paying for their products 'out-of-pocket'. Our products typically also benefit from a loyal customer base which has used or prescribed the product for many years and, therefore, is less likely to switch to a different product. We believe that these "pull factors" are particularly characteristic of prescription drugs, sales of which represented approximately 94% of our sales for the nine months ended September 30, 2019 with approximately 5% being generated from the sale of OTC products. Finally, competition for our products is often limited or well-known. Our products have typically been off-patent for several years and the competitive landscape has settled by the time we acquire the products. This is because generic products are typically launched immediately after patent protection for the originator product expired. Accordingly, the sales decline for an originator product is most severe immediately following expiry of patent protection and hence, by the time we acquire a branded originator product, the risk of new products entering the market is relatively low, driven by non-compelling economics for new entrants given the niche or legacy nature of the sub-segment of the pharmaceutical industry in which we operate.

Our business has grown significantly in recent years. We have increased our revenues and EBITDA before non-recurring items from €132.5 million and €69.7 million, respectively, for the year ended December 31, 2016 to €460.6 million and €253.9 million, respectively, for the twelve months ended September 30, 2019. During the same period, we achieved an average EBITDA before non-recurring items margin of 53.4%. In addition, our asset light business model allowed us to realize a Cash Conversion Ratio of 64.1% for the twelve months ended September 30, 2019.

We believe that the future growth of our business is supported by a number of favorable long-term trends. We expect that there will continue to be attractive acquisition candidates available to us as a result of large pharmaceutical companies reducing the complexity of their portfolio and focusing on newer patented products. This expectation is underpinned by a substantial proportion of currently marketed pharmaceutical products for which patent protection will expire by 2024, a trend expected to continue in later years as "blockbuster" and other drugs lose patent protection, as well as the continuing trend toward mergers & acquisitions in the pharmaceutical industry, which we expect will result in the realignment of product portfolios. At the same time, we expect that the broader pharmaceutical industry will continue to grow in the future as a result of rising medical needs driven by a growing and ageing population, the

availability of new and innovative products addressing previously unmet medical needs, the expansion in the awareness and availability of healthcare and increasing national income in emerging markets.

Factors Affecting our Results of Operations

Growth through Acquisitions

Acquisitions of trademarks and marketing authorizations for branded specialty and niche pharmaceutical products to expand our product portfolio have been the key driver of our growth in the period under review and have more than offset the natural decline in revenues that is typical of our products. In particular, our acquisitions of trademarks and marketing authorizations for new products since 2016 have significantly contributed to our growth, with revenue increasing from €132.5 million in 2016 to €314.7 million in 2018 and €460.6 million in the twelve months ended September 30, 2019. Over the same period, our EBITDA has increased from €69.6 million in 2016 to €183.8 million in 2018 and €263.3 million in the twelve months ended September 30, 2019.

In 2016, we acquired the product rights for Anexate® and Vesanoid® Japan as well as the anti-obesity product Xenical and in 2017 we completed the acquisition of the beta-blocker Dilatrend®. In 2017, Xenical® and Dilatrend® accounted for almost half of our sales. In 2018, our significant acquisitions included the takeover of the products Atacand® from Roche, Visudyne® from Novartis and Fungizone® from Bristol-Myers Squibb, which, together with smaller acquisitions in 2018 and our acquisitions in the prior year, helped to drive revenue growth of 32.9% to €314.7 million in 2018 compared to 2017. In the nine months ended September 30, 2019, our primary acquisition was the USD 213 million (excluding milestone payments) purchase of Losec® from AstraZeneca, which closed on September 30, 2019. As a result of our significant acquisition activity, cash flow from operating activities increased from €54.1 million in 2016 to €97.4 million in 2017 and €98.7 million in 2018, supported by our business model (with no own production), net sales and our lean cost structure.

Historically, our acquisitions have typically been immediately accretive to gross profit (see "*—Transitional Service Agreements*" below), although transaction costs have resulted in increases in interest expenses and other operating expenses during the periods in which the acquisitions occurred as well as higher costs of materials following consummation of the acquisitions, which, in 2018, contributed to a decrease in earnings after income taxes. Since mid-2018, our product acquisitions have been financed through additional indebtedness. We intend to continue to finance future acquisitions through additional debt financing, but may also finance certain smaller acquisitions from cash flow from operating activities.

Transitional Service Agreements

Following acquisition of a new product, in each of the countries of the transferred territory, the registration of the trademarks needs to be transferred from the seller to us by notifying the competent registers of the trademark assignment and the marketing authorizations will be transferred from the seller to us by filing transfer applications with each of the relevant governmental authorities. This can take between six months or up to several years, depending on the country. Therefore, pending approval of the transfer of the product registration, we enter into a transitional service agreement ("**TSA**") and, as the case may be, a related (manufacturing) supply and quality agreement ("**MSQA/MSA/SQA**") with the seller to ensure continuous manufacturing and sale of the acquired product. TSA services may also include various other services like forecasting, invoicing, customer support, pharmacovigilance activities, warehousing and quality assurance. During the TSA phase, the seller typically continues to manufacture and distribute the product for our account and transfers to us, on a monthly or quarterly basis, revenue from further product sales (net of materials and, depending on the seller, distribution expenses, discounts, rebates and other allowances) in exchange for a service fee of approximately 5-9% of net sales. We recognize the net amounts received from the seller under TSAs (including royalty payments) as revenues and record the TSA service fees as other operating expenses. Therefore, while revenue may be understated (from an economic point of view) compared to if the transfer of the product registration had taken place immediately, due to such arrangements under TSAs, EBITDA is not impacted after the completion of the TSA arrangement period. In addition, certain of our TSAs provide for quarterly payments in arrears. As a result of such arrangements, we may only receive payments for sales made under the respective TSA in a subsequent quarter. For the nine months ended September 30, 2019, we generated approximately 43% of our sales under TSAs.

Following transfer of the marketing authorization in each applicable country, we purchase remaining inventory from the seller or the seller's local affiliates in each country. As inventory prices may be

determined by the seller's local affiliates, the seller may be obligated to provide us with a one-time transfer payment to compensate for prices higher than those agreed with the local affiliate's parent company in the relevant asset purchase agreement. In exceptional cases we may also acquire the existing inventory prior to transfer of the marketing authorization at closing of the acquisition.

Following transfer of the marketing authorization and the purchase of remaining inventory, we assume responsibility for the manufacturing of the product (through our outsourcing manufacturing partners) and product distribution (through third-party distributors). From this point in time, we collect all revenues from product sales and incur all costs. As a result, as marketing authorizations are transitioned to us, our expenses shift from TSA service fees to manufacturing and distributor fees. Due to the favorable cost structure of the outsourcing of production and our extensive global distribution network, we believe we are able to realize attractive margins.

Notwithstanding the generality of the above we may in certain cases deviate from this concept both on the supply side and well as on the sales side. For example, in the event new manufacturing sources for API or finished products might prove difficult to establish (for factual or legal reasons) we may retain the seller as manufacturer for a period exceeding the TSA phase. Similarly, on the supply side, we may (for various reasons) from time to time enter into transitional distribution agreements extending distribution services beyond the TSA phase.

Cost Reduction and Value Enhancement Measures

Given that the products we acquire are often characterized by declining revenue over time, we seek to improve margins through various key value levers which are critical to achieving our targeted return on investment following the acquisition of a new product. These key value levers primarily comprise measures to reduce overhead (such as sales and marketing expenses) and complexity (through centralized marketing authorization management), lower production costs (through outsourcing to third-party manufacturers) and optimize manufacturing arrangements and active pricing strategies and product offering enhancements. Product cost optimization through outsourced production by CMOs and, in turn, reduced production costs is the most important value lever and typically accounts for most of the cost savings we are able to achieve through our cost reduction and value enhancement programs.

For example, we have successfully integrated two of our largest products, Xenical® and Dilatrend®, which we acquired from Roche in 2016 and 2017, respectively, while at the same time increasing the gross margin of these products. Roche divested both products because they did no longer strategically fit its portfolio due the relatively low sales volume per country and to reduce complexity in its product portfolio. Following completion of the acquisitions, we reduced production costs by negotiating lower packaging costs with the incumbent CMO. We are also in the process of transferring the API supply for Xenical® to a new supplier, which we expect will result in annual cost savings of approximately €5 million beginning in 2022. At the same time, we realized new revenue potential by integrating the product into our existing distribution network, through targeted marketing activities of our distributors and introducing tender management.

Financing Arrangements

During the period under review, we incurred a significant amount of additional financial indebtedness to finance our acquisitions of new products, which, in turn, resulted in considerable increases in interest expenses and net finance cost. Interest expenses increased from €5,956 thousand for the year ended December 31, 2016 to €75,001 thousand for the twelve months ended September 30, 2019, while net finance cost increased from €5,806 thousand to €53,939 thousand over the same period.

In particular, in July 2018, we refinanced a significant portion of our then existing capital structure and financing arrangements when we entered into the Senior Facilities Agreement, comprising a €530 million term loan and a €250 million revolving credit facility (increased to €310 million on July 26, 2018), to repay an existing syndicated loan and redeem outstanding notes. In November 2018, the term loan was increased by an additional €300 million to refinance the revolving credit facility. In early January 2019, we drew €190 million under the revolving credit facility and repaid €40 million at the beginning of February. In June 2019, we refinanced the revolving credit facility by increasing the TLB by €150 million. In September 2019, we drew €150 million under the revolving credit facility in order to partially finance the acquisition of Losec®, resulting in €150 million being drawn as of September 30, 2019. Finally, in late November 2019, we entered into a $124 million facility agreement to fund the acquisition of the European and North American rights to Seroquel® from AstraZeneca.

For additional information, see Notes 32 and 33 of the 2018 Audited Consolidated Financial Statements and "*Description of Certain Financing Arrangements*".

Key Income Statement Items

Set forth below is a summary description of the key line items of our consolidated income statement:

Revenue

Revenue consists of sales of pharmaceutical products, food supplements, medical products and cosmetics. Revenue is regularly recognized at the time performance is rendered or the risk passes to the customer. However, during the period newly acquired products are distributed under a TSA, we only receive the gross profits with respect to these products which are recognized as revenues (net of cash discounts and rebates). See "*—Factors Affecting our Results of Operations—Transitional Services Agreements*".

Change in inventories

Change in inventories reflects the change between the opening and closing balances of work in progress and finished goods. Inventories comprises raw materials, consumables and supplies, work in progress and finished goods and merchandise as well as prepayments.

Cost of materials

Cost of materials comprises almost entirely the costs of procurement of goods and contract manufacturing incurred in connection with the manufacture of our products and, to a much lesser, third party services, freight and other costs.

Personnel expenses

Personnel expenses include wages and salaries, social security costs and other staff costs.

Amortization, depreciation and impairments

Amortization, depreciation and impairments consist primarily of straight-line charges over the useful life of intangible assets. The main items comprise marketing authorizations and, to a significantly lower extent, software. Depreciation of property, plant and equipment accounts for only a small portion of our total amortization, depreciation and impairments. Impairment is tested in accordance with applicable accounting rules, and no impairments were recorded in 2017, 2018 or the first nine months of 2019.

Other operating expenses

Other operating expenses consist primarily of distribution and delivery costs, costs related to drug safety, licenses and quality assurance, net foreign exchange gains or losses and sundry items. Sundry items include legal and advisory expenses as well as IT expenses.

Net finance cost

Net finance costs comprises of net income from investments, interest income and interest expenses. Net income from investments includes the dividend income from securities classified as current assets. Net interest expenses primarily includes interest paid on bank loans, interest on loans granted by related parties and losses incurred in connection with derivative financial instruments less interest income.

Income taxes

Income tax includes current and deferred income and trade tax as well as foreign income tax. The tax rate applicable to our operations for each financial year mainly depends on the profitability of our German operations where the significant majority of our earnings accrues.

Results of Operations

Comparison of the nine months ended September 30, 2018 and 2019

The following table shows our results of operations for the periods indicated:

	Nine months ended September 30,	
	2018	2019
	in € thousands (unaudited)	
Revenue	**203,027**	**348,943**
Changes in inventories	117	23,588
Other operating income	4,478	2,544
Cost of materials	56,952	128,393
Personnel expenses	11,005	14,600
Amortization, depreciation and impairments	79,947	109,159
Other operating expenses	31,050	44,060
Results of operating activities	**28,668**	**78,863**
Net income from investments	(1,206)	556
Interest income	19	15,891
Interest expense	49,549	57,345
Net finance costs	**(50,736)**	**(40,898)**
Earnings before income taxes	**(22,068)**	**37,965**
Taxes on income	3,156	(18,071)
Earnings after income taxes	**(18,912)**	**19,894**

Revenue

Our revenue increased by €145,916 thousand, or 71.9%, from €203,027 thousand in the nine months ended September 30, 2018 to €348,943 thousand in the nine months ended September 30, 2019.

The increase was primarily due to the acquisitions of Lexotan® and Dormicum® from Roche in January 2019 and the revenue contribution from new products acquired in the course of 2018 for the entire period in the nine months ended September 30, 2019. Due to the different TSA stages of various acquired products and the related invoicing of profits to the sellers of products while the products remain under a TSA, concentrations of revenue in Switzerland (Roche), the United States (Bristol-Myers Squibb) and Sweden (AstraZeneca) were elevated in the nine months ended September 30, 2019 compared to the same period in the prior year.

Cost of materials

Cost of materials increased by €71,441 thousand from €56,952 thousand in the nine months ended September 30, 2018 to €128,393 thousand in the nine months ended September 30, 2019. The increase was primarily due to an increase in procurement of goods and contract manufacturing, from €56,104 thousand for the nine months ended September 30, 2018 to €127,068 thousand for the nine months ended September 30, 2019, which related to new product acquisitions which were no longer under TSAs for the period (or a portion thereof) compared to the prior period.

Personnel expenses

Personnel expenses increased by €3,595 thousand, or 32.7%, from €11,005 thousand in the nine months ended September 30, 2018 to €14,600 thousand in the nine months ended September 30, 2019. The increase was primarily due to increase in salaries and wages, from €8,929 thousand for the nine months ended September 30, 2018 to €12,026 thousand for the nine months ended September 30, 2019, as well as increases in social security costs resulting from the increase in headcount from 251 as of December 31, 2018 to 304 as of September 30, 2019 to support the regulatory and pharmacovigilance functions for our new products.

Amortization, depreciation and impairments

Amortization, depreciation and impairments increased by €29,212 thousand, or 36.5%, from €79,947 thousand in the nine months ended September 30, 2018 to €109,159 thousand in the nine months ended September 30, 2019. The increase was primarily due to the acquisitions of Lexotan® and Dormicum® from Roche, for which the marketing authorizations and trademarks were capitalized as part of the transactions, as well as the revenue contributions of our acquisitions in the first nine months of 2018. No impairment was recorded in the nine months ended September 30, 2019.

Other operating expenses

Other operating expenses increased by €13,010 thousand, or 41.9%, from €31,050 thousand in the nine months ended September 30, 2018 to €44,060 thousand in the nine months ended September 30, 2019. The increase was primarily due to higher distribution and delivery costs, from €15,479 thousand for the nine months ended September 30, 2018 to €25,159 thousand for the nine months ended September 30, 2019, resulting from our additional acquisitions of products. The increase was also due, in part, to increases in the cost of drug safety, licenses and quality assurance related to the expansion of our product portfolio as well as the corresponding increase in the number of products under TSA arrangements.

Net finance cost

Net finance cost decreased by €9,838 thousand, or 19.4%, from €50,736 thousand in the nine months ended September 30, 2018 to €40,898 thousand in the nine months ended September 30, 2019. The decrease was primarily due to the increase in interest income, from €19 thousand in the nine months ended September 30, 2018 to €15,891 thousand in the nine months ended September 30, 2019, which resulted from the revaluation gain of financial liabilities.

Taxes on income

Taxes on income increased by €21,227 thousand from an income of €3,156 thousand in the nine months ended September 30, 2018 to an expense of €18,071 thousand in the nine months ended September 30, 2019. The increase was primarily due to the increase in earnings before income taxes, which increased from a loss of €22,068 thousand in the nine months ended September 30, 2018 to income of €37,965 thousand in the nine months ended September 30, 2019.

Earnings after income taxes

Earnings after income taxes increased by €38,806 thousand from negative €18,912 thousand in the nine months ended September 30, 2018 to €19,894 thousand in the nine months ended September 30, 2019. The increase was primarily due to the improved results of operations and the other factors described above.

Comparison of the Years ended December 31, 2017 and 2018

The following table shows our results of operations for the periods indicated:

	Year ended December 31,	
	2017	2018
	in € thousands (audited)	
Revenue	236,843	314,710
Changes in inventories	10,831	3,896
Other operating income	884	15,879
Cost of materials	75,631	95,610
Personnel expenses	10,542	15,652
Amortization, depreciation and impairments	76,459	103,738
Other operating expenses	29,519	39,364
Results of operating activities	**56,407**	**80,121**
Net income from investments	1,584	3,397
Interest income	46	31
Interest expense	(17,732)	(67,205)
Net finance costs	**(16,102)**	**(63,777)**
Earnings before income taxes	**40,305**	**16,344**
Taxes on income	(13,145)	(6,497)
Earnings after income taxes	**27,160**	**9,847**

Revenue

Our revenue increased by €77,867 thousand, or 32.9%, from €236,843 thousand for the year ended December 31, 2017 to €314,710 thousand for the year ended December 31, 2018.

The increase in revenue was primarily due to the acquisitions of Visudyne® and Atacand®/Atacand Plus®, which led to increased revenue in EU countries, from €197,953 thousand for the year ended December 31, 2017 to €222,952 thousand for the year ended December 31, 2018, in North America, from €5,380 thousand for the year ended December 31, 2017 to €31,385 thousand for the year ended December 31, 2018, and in East Asia from €14,646 thousand for the year ended December 31, 2017 to €23,359 thousand for the year ended December 31, 2018, despite declining revenues for our existing products. Due to the different TSA stages of various acquired products and the related invoicing of profits to the sellers of products while the products remain under a TSA, increases in and concentrations of revenue in Switzerland (Roche and Novartis), the United States (Bristol-Myers Squibb) and Sweden (AstraZeneca) were considerably higher in 2018 than the prior year but will decrease and diversify, on an individual country basis, as individual transfers of marketing authorizations continue to occur in 2019. For example, Dilatrend® and Xenical®, our top two products by revenue in 2018, remained in the TSA phase for parts of the financial year 2018 only, while more recently acquired products, such as Atacand®, Visudyne® and Fungizone® were in the TSA phase either for parts of or for the whole period.

Cost of materials

Cost of materials increased by €19,979 thousand, or 26.4%, from €75,631 thousand for the year ended December 31, 2017 to €95,610 thousand for the year ended December 31, 2018. The increase was primarily due to an increase in procurement of goods and contract manufacturing, from €74,571 thousand for the year ended December 31, 2017 to €94,164 thousand for the year ended December 31, 2018, which related to new product acquisitions which no longer were under TSAs for the period (or a portion thereof) compared to the prior year. The increase in cost of materials remained lower than that of revenue from 2017 to 2018 as product acquisitions continued to impact primarily the revenue and did not impact the cost structure while new products remain in the TSA phase.

Personnel expenses

Personnel expenses increased by €5,110 thousand, or 48.5%, from €10,542 thousand for the year ended December 31, 2017 to €15,652 thousand for the year ended December 31, 2018. The increase was primarily due to increases in wages and salaries as well as social security costs resulting from the increase in the

average headcount from 199 employees in 2017 to 279 employees in 2018 to support the regulatory and pharmacovigilance functions for our new products.

Amortization, depreciation and impairments

Amortization, depreciation and impairments increased by €27,279 thousand, or 35.7%, from €76,459 thousand for the year ended December 31, 2017 to €103,738 thousand for the year ended December 31, 2018. The increase was primarily due to the acquisitions of Konakion®, Lariam® and Inhibace® from Roche, Visudyne® from Novartis and Sotalex® from Bristol-Myers Squibb, for which the marketing authorizations and trademarks were capitalized as part of the transactions, as well as the first full-year revenue contributions of our acquisitions in 2017. No impairment was recorded in 2017 or 2018.

Other operating expenses

Other operating expenses increased by €9,845 thousand, or 33.4%, from €29,519 thousand for the year ended December 31, 2017 to €39,364 thousand for the year ended December 31, 2018. The increase was primarily due to higher distribution and delivery costs, from €16,051 thousand for the year ended December 31, 2017 to €24,297 thousand for the year ended December 31, 2018, in line with our revenue growth from the acquisitions in 2017 and 2018. The increase was also due, in part, to increases in the cost of drug safety, licenses and quality assurance related to the growth in our product portfolio.

Net finance cost

Net finance cost increased by €47,675 thousand from €16,102 thousand for the year ended December 31, 2017 to €63,777 thousand for the year ended December 31, 2018. The increase was primarily due to the increase in interest paid on bank loans, from €16,517 thousand for the year ended December 31, 2017 to €57,291 thousand for the year ended December 31, 2018, which include prepayments fees and transaction costs of €25,576 thousand in connection with the repayment of the mezzanine financing in July 2018.

Taxes on income

Taxes on income decreased by €6,648 thousand from €13,145 thousand for the year ended December 31, 2017 to €6,497 thousand for the year ended December 31, 2018. The decrease was primarily due to lower deferred taxes of €642 thousand for the year ended December 31, 2018, compared to €8,199 thousand for the year ended December 31, 2017, and the decrease in earnings before income taxes.

Earnings after income taxes

Earnings after income taxes decreased by €17,313 thousand from €27,160 thousand to €9,847 thousand for the year ended December 31, 2018. The decrease was primarily due to increased finance costs and the other factors described above.

Comparison of the Years ended December 31, 2016 and 2017

The following table shows our results of operations for the periods indicated:

	Year ended December 31,	
	2016	2017
	in € thousands (audited)	
Revenue	132,535	236,843
Changes in inventories	0	10,831
Other operating income	167	884
Cost of materials	41,900	75,631
Personnel expenses	6,636	10,542
Amortization, depreciation and impairments	39,020	76,459
Other operating expenses	14,576	29,519
Results of operating activities	**30,570**	**56,407**
Net income from investments	95	1,584
Interest income	55	46
Interest expense	(5,956)	(17,732)
Net finance cost	**(5,806)**	**(16,102)**
Earnings before income taxes	**24,764**	**40,305**
Taxes on income	(7,067)	(13,145)
Earnings after income taxes	**17,697**	**27,160**

Revenue

Our revenue increased by €104,308 thousand, or 78.7%, from €132,535 thousand for the year ended December 31, 2016 to €236,843 thousand for the year ended December 31, 2017. The increase was primarily due an increase in revenue in non-EU countries from €62,255 thousand for the year ended December 31, 2016 to €135,688 thousand for the year ended December 31, 2017, which related mainly to revenue received for products under TSAs, particularly with Roche in Switzerland, resulting from the acquisition of the products Anexate®, Xenical® and Vesanoid® Japan in 2016 and Dilatrend® in 2017. To a lesser extent, the increase in revenue was due to the increase in revenue from distributors in EU countries (excluding Germany) from €54,362 thousand for the year ended December 31, 2016 to €87,068 thousand for the year ended December 31, 2017, which primarily related sales of the products Streptosil® and Aldactone®, which are solely distributed in Italy. The increase was offset in part by average declines of revenue among the rest of our other existing product portfolio.

Cost of materials

Cost of materials increased by €33,731 thousand, or 80.5%, from €41,900 thousand for the year ended December 31, 2016 to €75,631 thousand for the year ended December 31, 2017. The increase was primarily due to an increase in procurement of goods and contract manufacturing, from €41,550 thousand for the year ended December 31, 2016 to €74,571 thousand for the year ended December 31, 2017, which related to increases in production capacity following the acquisitions of Xenical in September 2016 and Dilatrend® in January 2017.

Personnel expenses

Personnel expenses increased by €3,906 thousand, or 58.9%, from €6,636 thousand for the year ended December 31, 2016 to €10,542 thousand for the year ended December 31, 2017. The increase was primarily due to increases in wages and salaries as well as social security costs resulting from the increase in the average headcount from 140 employees in 2016 to 199 employees in 2017 to support the regulatory and pharmacovigilance functions for our new products.

Amortization, depreciation and impairments

Amortization, depreciation and impairments increased by €37,439 thousand, or 95.9%, from €39,020 thousand for the year ended December 31, 2016 to €76,459 thousand for the year ended December 31, 2017. The increase was primarily due to the acquisitions of Xenical® in September 2016 and Dilatrend® in January 2017, for which the marketing authorizations and trademarks were capitalized as

part of the transactions. No impairment was recorded in 2017, compared to impairment of €4,786 thousand in 2016.

Other operating expenses

Other operating expenses increased by €14,943 thousand from €14,576 thousand for the year ended December 31, 2016 to €29,519 thousand for the year ended December 31, 2017. The increase was primarily due to higher distribution and delivery costs, from €8,038 thousand for the year ended December 31, 2016 to €16,051 thousand for the year ended December 31, 2017, in line with the revenue growth from the acquisitions in 2016 and 2017. The increase was also due, in part, to increases in the cost of drug safety, licenses and quality assurance as well as sundry expenses.

Net finance cost

Net finance cost increased by €10,296 thousand from €5,806 thousand for the year ended December 31, 2016 to €16,102 thousand for the year ended December 31, 2017. The increase was primarily due to an increase in interest expenses on banks loans from €4,829 thousand for the year ended December 31, 2016 to €16,517 thousand for the year ended December 31, 2017. The increase was offset, in part, by €1,584 thousand in income from dividends received from securities classified as current assets, which resulted in an increase of €1,489 thousand in net income from investments.

Taxes on income

Taxes on income increased by €6,078 thousand, or 86.0%, from €7,067 thousand for the year ended December 31, 2016 to €13,145 thousand for the year ended December 31, 2017. The increase was primarily due to increases in deferred taxes and corporate income and municipal trade taxes for 2017, as a result of the increase in earnings before income taxes.

Earnings after income taxes

Earnings after income taxes increased by €9,463 thousand, or 53.5%, from €17,697 thousand for the year ended December 31, 2016 to €27,160 thousand for the year ended December 31, 2017. The increase was primarily due to the factors described above.

Liquidity and Capital Resources

Liquidity describes the ability of a company to generate sufficient cash flows to meet the cash requirements of its business operations, including working capital needs, debt service obligations, capital expenditures, contractual obligations and other commitments.

Our financial condition and liquidity are and will continue to be influenced by a variety of factors, including, primarily, our ability to generate cash flows from our operations, the level of our outstanding indebtedness and the indebtedness of our subsidiaries and the interest we are obligated to pay on such indebtedness. We expect our future sources of liquidity will consist mainly of cash generated from our operating activities.

In addition, our ability to generate cash depends on our future operating performance, which, in turn, depends to some extent on general economic, financial, industry and other factors, many of which are beyond our control. See "*Risk Factors*". Although we believe our expected cash flows from operating activities will be adequate to meet our anticipated liquidity and debt service needs, we cannot assure you that our business will generate sufficient cash flows from operating activities or that future debt financing will be available to us in an amount sufficient to enable us to pay our debts when due, including the Notes, or to fund our other liquidity needs.

Cash Flow

The table below sets forth certain line items from our cash flow statement for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2016	2017	2018	2018	2019
			in € thousands		
		(audited)		(unaudited)	
Operating activities					
Consolidated net profit/(loss) for the period	17,697	27,160	9,847	(18,912)	19,894
Amortization, depreciation and impairments / write-ups of intangible assets and property, plant and equipment	39,020	76,459	103,738	79,970	109,159
Other non-cash expenses/income	(23)	1,039	8	2	(810)
Increase (-)/decrease in inventories	(7,305)	(16,096)	(42,100)	(25,657)	(21,234)
Increase (-)/decrease in trade receivables	(12,870)	(18,647)	(61,878)	(15,324)	(13,690)
Increase (-)/decrease in other assets	(226)	(4,371)	1,221	2,087	(2,758)
Increase/decrease (-) in trade payables	7,223	922	29,649	9,911	(2,869)
Increase/decrease (-) in other liabilities	(346)	2,181	5,443	(4,732)*	(475)
Gain on (-)/ loss from disposal of intangible assets and property, plant and equipment	0	(300)	(14,552)	(4,069)	31
Finance cost and income recognized through profit or loss	5,901	17,686	67,174	49,530	41,453
Net income (-)/loss from investments	(95)	(1,584)	(3,397)	1,206	(556)
Income tax expense/ benefit (-)	7,067	13,145	6,497	(3,156)	18,072
Income tax paid	(1,973)	(215)	(2,982)	(3,156)	(6,198)
Cash flow from operating activities	**54,070**	**97,379**	**98,668**	**67,699**	**140,019**
Investing activities					
Proceeds from disposals of intangible assets	0	300	21,152	4,069	0
Acquisition of intangible assets	(224,441)	(128,104)	(489,767)	(493,070)*	(449,482)
Acquisition of property, plant and equipment	(635)	(724)	(6,471)	(3,200)	(4,115)
Proceeds from disposals of property, plant and equipment	12	0	—	—	—
Proceeds from disposals of financial assets	—	—	9,908	0	360
Acquisition of financial assets	0	(4,208)	0	—	—
Cash payments from acquisitions less acquired funds	(183)	(2,252)	0	—	—
Acquisition of securities	(1,228)	(1,764)	(1,896)	(1,890)	0
Interest received	55	46	31	19	85
Proceeds from disposals of securities and dividends received	295	1,611	119	110	137
Cash flow from investing activities	**(226,125)**	**(135,095)**	**(466,924)**	**(493,962)**	**(453,015)**
Financing activities					
Cash payments for repayment of loans raised from related parties	(20)	0	(4,478)	(4,477)	(6,477)
Cash proceeds from financial debts raised	249,199	178,842	1,260,740	1,251,919	295,536
Cash payments from repayment of financial debts	(55,231)	(115,138)	(785,344)	(784,841)	(8,792)
Interest paid	(5,904)	(17,572)	(58,275)	(46,125)	(31,017)
Cash flow from financing activities	**188,044**	**46,132**	**412,643**	**416,476**	**249,250**
Net change in cash funds	**15,989**	**8,416**	**44,387**	**(9,787)**	**(63,746)**
Cash funds at the beginning of the period	16,142	32,131	40,491	40,491	84,908
Exchange-rate-related changes in cash funds	0	(56)	30	29	0
Cash funds at the end of the period	**32,131**	**40,491**	**84,908**	**30,734**	**21,162**
Bank balances and cash-in-hand	33,534	42,504	86,363	32,233	21,161
Bank overdraft within the scope of short-term management of financial investments	(1,403)	(2,013)	(1,455)	1,500	0

* Acquisitions of intangible assets (€489,767 thousands) for the year ended December 31, 2018 include earn-out related purchase price adjustments in the amount of +€5,000 thousands. Without the earn-out related purchase price adjustments, the cash outflow for the acquisiton of intangible assets would increase by €5,000 thousand with an opposite effect on other liabilities.

Cash flow from operating activities

Cash flow from operating activities increased by €72,320 thousand, or 51.7%, thousand from €67,699 thousand for the nine months ended September 30, 2018 to €140,019 thousand for the nine months ended September 30, 2019. The increase was primarily attributable to a significant increase of our revenues and an improved working capital management.

Cash flow from operating activities increased by €1,289 thousand, or 1.3%, from €97,379 thousand for the year ended December 31, 2017 to €98,668 thousand for the year ended December 31, 2018. The increase was primarily a function of higher revenues as well as an increase in trade payable related to our product acquisitions. The increase was offset, in part, primarily by higher inventories and trade receivables as a result of our growth.

Cash flow from operating activities increased by €43,309 thousand, or 80.1%, from €54,070 thousand for the year ended December 31, 2016 to €97,379 thousand for the year ended December 31, 2017. The increase was primarily attributable to higher revenues due to acquisitions, in particular the acquisitions of Xenical®, Dilatrend® and Anexate®. The increase was offset, in part, primarily by higher inventories and trade receivables as a result of our growth.

Cash flow from investing activities

Cash flow from investing activities decreased by €49,586 thousand, or 9.9%, from a net cash outflow of €493,962 thousand for the nine months ended September 30, 2018 to a net cash outflow of €453,015 thousand for the nine months ended September 30, 2019. The decrease was primarily attributable to a decrease in cash outflows for the acquisition of intangible assets, which decreased from €493,070 thousand for the nine months ended September 30, 2018 to €449,482 thousand for the nine months ended September 30, 2019 and related mainly to the acquisitions of Visudyne® in 2018 and Losec® in 2019.

Cash flow from investing activities increased by €331,829 thousand from a net cash outflow of €135,095 thousand for the year ended December 31, 2017 to a net cash outflow of €466,924 thousand for the year ended December 31, 2018. The increase in net cash outflow was primarily attributable to the increase in acquisition of intangible assets, which increased from €128,104 thousand for the year ended December 31, 2017 to €489,767 thousand for the year ended December 31, 2018 and related mainly to the acquisitions of Atacand®, Visudyne® and Fungizone®.

Cash flow from investing activities improved by €91,030 thousand, or 40.3%, from a net cash outflow of €226,125 thousand for the year ended December 31, 2016 to a net cash outflow of €135,095 thousand for the year ended December 31, 2017. The change was primarily attributable to lower cash outflows for the acquisition of intangible assets, or new products, which decreased from €224,441 thousand for the year ended December 31, 2016 to €128,104 thousand for the year ended December 31, 2017.

Cash flow from financing activities

Cash flow from financing activities decreased by €167,226 thousand, or 40.2% from €416,476 thousand for the nine months ended September 30, 2018 to €249,250 thousand for the nine months ended September 30, 2019. The decrease was primarily attributable to a decrease of cash proceeds from financial debt raised and an increase in cash payments for repayment of financial debts. In addition, interest paid decreased.

Cash flow from financing activities increased by €366,511 thousand from €46,132 thousand for the year ended December 31, 2017 to €412,643 thousand for the year ended December 31, 2018. The increase was primarily attributable to the increase in cash proceeds from financial debts incurred, from €178,842 thousand for the year ended December 31, 2017 to €1,260,740 thousand for the year ended December 31, 2018 and related to the refinancing of existing financial liabilities in July 2018 and the subsequent upsizings of the Revolving Credit Facility later that month and the Term Loan Facilities in November 2018 by €60 million and €300 million, respectively.

Cash flow from financing activities decreased by €141,912 thousand from €188,044 thousand for the year ended December 31, 2016 to €46,132 thousand for the year ended December 31, 2017. The decrease was primarily attributable to the lower amount of cash proceeds of financial debts incurred as was partially offset by an increase in cash payments for repayment of financial debts. In November 2017, we entered into an interim financing arrangement in the amount of €100 million to repay, in part, our then existing

syndicated loans and to acquire further licenses in early 2018. We received €50 million of the interim financing in late December 2017 and the remainder in early January 2018. For additional information, see Note 33 of the 2017 Audited Consolidated Financial Statements.

Financing Arrangements

The following table summarizes our financing arrangements as of December 31, 2018 (as adjusted to give effect to the Offering and the use of the proceeds therefrom):

	Payments due by period			
	Up to 1 year	1-5 years	More than 5 years	Total
	in € thousands (unaudited)			
Notes*(1)	—	—	500,000	**500,000**
Bank loans	1,086	—	834,325	**835,411**
Liabilities to affiliated companies	1	—	32,129	**32,130**
Other financial liabilities	19,094	0	0	**19,094**
Total*	**20,181**	**0**	**1,366,454**	**1,386,635**

* Affected by the Offering and the use of proceeds therefrom.

(1) Reflects the aggregate principal amount of the Notes outstanding on the Issue Date.

Net Working Capital

The table below sets forth certain line items from our statement of financial position for the periods indicated:

	As of December 31,			As of September 30,
	2016	2017	2018	2019
	in € thousands (audited, unless otherwise indicated)			(unaudited)
Inventories	20,304	37,141	79,241	98,612
Plus: Trade receivables	32,419	52,339	113,950	119,384
Less: Trade payables	12,706	14,364	44,763	41,987
Net working capital (unaudited)	**40,017**	**75,116**	**148,428**	**176,009**

We define net working capital as inventories plus trade receivables less trade payables. Our net working capital is mainly influenced by inventory levels and trade receivables. Both items have historically increased in line with net sales development and the acquisitions of new products.

We generally maintain a stock of drugs for at least a three-month delivery period, which we believe is customary for our industry. Payment terms vary by country (e.g. 30 days in Germany and up to 150 days in Italy). As of September 30, 2019, 76.6% of trade receivables were not overdue. We have not experienced any material defaults on payments in recent years.

Net working capital as of September 30, 2019 amounted to €176,009 thousand compared to €148,428 thousand as of December 31, 2018. This increase is mainly attributable to an increase in inventories from €79,241 thousand as of December 31, 2018 to €98,612 thousand as of September 30, 2019, which primarily related to an increase in raw materials, consumables and supplies as a result of our acquisitions as well as a new process for the TSA phase of Atacand® pursuant to which we finance the products during the TSA phase).

Net working capital as of December 31, 2018 amounted to €148,428 thousand compared to €75,116 thousand as of December 31, 2017. An increase in trade receivables was the main driver of this change. The increase in inventories was primarily due to an increase in stock of Deursil® to accommodate higher than expected sales in 2018 and the assumption of remaining inventory related to acquisitions made in 2018. The increase in trade receivables was due to receivables invoiced to pharmaceutical companies for invoiced net profit and transfer amounts under TSA and the sale of the marketing authorization for Anexate® in Japan. The increase of trade payables was primarily due to the significant increase of the trade payables in Germany.

Net working capital as of December 31, 2017 amounted to €75,116 thousand compared to €40,017 thousand as of December 31, 2016. This increase is mainly attributable to the increases in inventories and receivables due to the growth in our business following the acquisitions of Xenical in September 2016 and Dilatrend® in January 2017 as well as a strategic build-up of stocks in cattle bile (raw material used for the production of Deursil®) due to periods of limited supply in previous years. The increase in trade receivables was also driven by the acquisitions and the first-time recognition of the respective net working capital.

Capital Expenditures

Our capital expenditures primarily relate to the purchase of marketing authorizations and trademarks. We define capital expenditures as the sum of additions to intangible assets and additions to property, plant and equipment, including additions from acquisitions. Capital expenditures for the years ended December 31, 2016, 2017 and 2018 and the nine months ended September 30, 2019 were €226,115 thousand, €130,621 thousand, €511,424 thousand and €261,194 thousand, respectively.

Capital expenditures in 2016 primarily related to the acquisitions of Anexate® and Vesanoid® Japan as well as the anti-obesity product Xenical®.

Capital expenditures in 2017 primarily related to the acquisition of Dilatrend®.

Capital expenditures in 2018 primarily related to the acquisitions of Atacand®, Visudyne® and Fungizone®.

Capital expenditures in the nine months ended September 30, 2019 primarily related to the acquisitions of Losec® and Seroquel®. In addition, we completed the acquisition of Dormicum® and Lexotan® (from Roche) in January 2019.

Contractual Obligations

Our rental agreements and lease obligations relate to business premises, vehicles and other assets (mainly SAP software and machinery). The leases are classified as operating leases. There are no purchase options at the end of the lease terms, except for the leases related to machinery. The rental agreements do not provide for price adjustment clauses or extension options.

The table below sets forth the future rental and leasing payments for the periods indicated, as of December 31, 2018:

	Payments due by period as of December 31, 2018			
	Up to 1 year	1-5 years	More than 5 years	Total
	(audited) in € thousands			
Business premises	595	45	0	**640**
Vehicle fleet	109	64	0	**173**
Other	113	36	0	**149**

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements are limited to approximately €20 million in guarantees for tax refunds in Italy, which need to be provided on the amount of €5 million per annum for a minimum term of four years.

Except as described above, we are not party to any off-balance sheet arrangements that have, or are reasonably likely to have, a material effect on our financial condition, results of operations, liquidity or capital resources.

Qualitative and Quantitative Disclosures on Financial Risk

Foreign Exchange Risk

We are generally exposed to market price risks resulting from changes in exchange rates and interest rates. These may result in negative effects on the Group's assets, liabilities, financial position, and financial performance. Our major transactions are performed in the eurozone. Consequently, there are currency risks between the U.S. dollar and the euro. Since our U.S. subsidiary predominantly perform its activities

in its functional currency, the exchange risk of the Group from its normal operating activities and from translation of foreign sets of financial statements is deemed to be low.

In addition, we also have transactions in other foreign currencies, namely in CHF and GBP. Management regularly monitors the potential currency risks and, if necessary, takes active hedging measures in order to minimize risks. The resulting residual currency risk is generally deemed by management to be insignificant on account of the low volumes of the corresponding assets and liabilities.

Interest Rate Risk

Our exposure to interest rate risk primarily results from financial liabilities which accrue variable interest on the basis of EURIBOR. Had the market interest rate level as at December 31, 2018 been 50 base points higher, earnings would have been €659 thousand lower (December 31, 2017: €1,179 thousand). This hypothetical effect on earnings is due to the potential effects of variable-interest liabilities and from derivative financial instruments measured at fair value. Since all financial instruments are measured in profit and loss, there are no direct effects on comprehensive income. The decrease in the amount in comparison with the prior year is due to the restructured financing in July 2018.

As of December 31, 2018, we had interest rate cap and swap transactions with selected syndicated banks in the amount of €557.8 million (€176.9 million as of December 31, 2017). For additional information, see Note 20 of our 2018 Audited Consolidated Financial Statements.

Default Risk

Default risk is the risk of a loss for the Group if a contracting party fails to meet its contractual obligations. Our default risks primarily relate to trade receivables, which arise from ordinary business activities and predominantly relate to small to medium-sized entities.

We only enter into business relationships with creditworthy contract partners and, if necessary, only if collaterals are furnished or prepayments are made in order to mitigate the risks of a loss from counterparty failure. Before a business relationship is established, the respective credit quality of the potential customer is assessed.

Uncollected receivables are nevertheless continuously monitored; furthermore, we have established an active dunning system and allowances are recorded when necessary. As part of a regular analysis of receivables portfolios, no significant change in the default risk was established in 2019. There are no major default risks of specific contracting parties or of a group of contracting parties with similar features. Our maximum default risk is reflected by the carrying amounts of the financial assets recognized in the balance sheet.

Liquidity Risk

Liquidity risk is the risk of not being able to fulfill current or future obligations if we do not have sufficient funds available to meet such obligations at the time they become due. To manage liquidity risk and ensure that the Group is able to meet its payments when due and remain flexible in financial terms, a cash reserve in the form of cash and credit lines is maintained. In addition, the Group's liquidity is continuously monitored by means of liquidity forecasts.

Critical Accounting Policies and Estimates

Our preparation of the Consolidated Financial Statements requires management to make assumptions, undertake estimates and exercise judgment that affect the reported amount of assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the fiscal period. See Note 6 of the 2018 Audited Consolidated Financial Statements. All assumptions, expectations and forecasts used as a basis for certain estimates within the Consolidated Financial Statements represent good-faith assessments of our future performance for which management believes there is a reasonable basis. Estimates and judgments used in the determination of reported results are continuously evaluated.

Assumptions, estimates and judgments are based on historical experience and on various other factors that management believes to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Intangible assets

In acquiring drug licenses, we determine the useful life of these intangible assets according to criteria such as market share, possible market entry of potential competitors, legal and country risks, as well as revenue and sales budgeted for the respective product. Judgments are generally made by management in determining the useful life.

Intangible assets are capitalized at cost if it is probable that the use of the asset is related to a future economic benefit and the costs of the asset can be reliably determined. Borrowing costs are regularly capitalized only if they relate to the acquisition or production of a qualified asset.

The assets are amortized on a straight-line basis over their estimated useful life of 2 to 15 years. The underlying useful lives correspond to the useful lives expected at Group level. The appropriateness of the useful lives and the carrying amount are reviewed at annual intervals. Necessary changes in estimates are proactively taken into account.

Goodwill

The impairment test of goodwill is based on forward-looking assumptions. These tests are performed by management annually and additionally on occasions which indicate that goodwill might have been impaired. The determination of the value in use of the cash-generating unit includes definitions and estimates in respect of the forecast and discounting of future cash flows. Although management anticipates that the assumptions underlying the calculation of the realizable amount are appropriate, potential unforeseeable changes in these assumptions, for instance a reduction in EBITDA margins, a rise in cost of capital or a decrease in the long-term growth rate, may lead to an impairment loss which could sustainably influence the assets, liabilities, financial position, and financial performance.

Estimates are based on empirical data and other assumptions which are deemed to be appropriate under the given circumstances. They are continuously verified, but may deviate from actual values. All assumptions and estimates are based on circumstances and assessments at the reporting date. For additional information on our goodwill, see Note 16 of our 2018 Audited Consolidated Financial Statements.

Global Healthcare and Pharmaceutical Industry Overview

Healthcare expenditure represents an important and growing proportion of global gross domestic product: on a global level, the value of expenditure on healthcare represents around 10% of gross domestic product, with $7.5 trillion spent on healthcare in 2016 (source: World Health Organisation 2018). A significant component of healthcare expenditure is pharmaceutical spending, which on a global level reached $1.2 trillion in 2018, and which is expected to grow to $1.5 trillion by 2023, representing a CAGR of 3-6% (source: *The Global Use of Medicine in 2019 and Outlook to 2023. IQVIA Institute for Human Data Science. Jan 2019*). The significant attention placed on healthcare has encouraged investment in research and the development of innovative medicines and the creation of new and more efficient healthcare assistance models to maximize benefits for patients as well as a growing utilization of technology. In more industrialized countries, there has been a steady growth of global healthcare expenditure due to ageing of the population, availability of new treatments, which is set to continue; while in emerging countries, where access to medical care is progressively expanding as economies develop and more resources are invested in healthcare, there is significant growth in the demand for medicines, especially in primary care.

The United States is the largest pharmaceutical market globally, contributing 40% to total pharmaceutical sales in 2018. Europe is the second largest market with Germany, the United Kingdom, France, Spain and Italy (the "**EU5**") contributing 15% to total pharmaceutical sales in the same period. Japan is the third largest pharmaceutical market contributing 7% to total pharmaceutical sales in the same period. China and the rest of the world ("**RoW**") market contributed 38% of pharmaceutical sales in the same period (source: *The Global Use of Medicine in 2019 and Outlook to 2023. IQVIA Institute for Human Data Science. Jan 2019*).

Product types

The pharmaceutical industry is comprised of a range of product types including patent-protected branded prescription drugs, generic prescription drugs, Over-The-Counter ("**OTC**") products. Patent-protected branded prescription drugs include both chemical pharmaceutical products and biologics. Generic prescription drugs include simple generics, branded generics, specialty generics and biosimilars.

Branded Prescription Drugs

Patent-protected branded prescription drugs are typically a result of pharmaceutical innovation and R&D, but in some instances can also be reformulations of existing pharmaceutical compounds. They typically require significant investments and a long development time before being able to demonstrate safety and efficacy which makes them suitable to be commercialized. These innovative and novel compounds benefit from patent protection which allows for exclusivity on marketing of the product to make the significant R&D investment attractive to businesses. Patent protection is typically provided for a 20-year period, and given the patent is typically filed when the compound is still in early stage of development, the remaining patent life once the drug is launched is typically approximately 10-12 years, providing innovators with their main bulk of returns. These drugs are marketed under branded names and can be either chemical pharmaceuticals, which are chemically synthesized "small" molecules, or biologics, which are large complex molecules typically extracted from a variety of natural sources (human, animal or microorganism). Examples of biologics include vaccines, monoclonal antibodies, gene therapies and cell therapies. Upon the expiry of the patent protection period, these products become "unprotected" from competition but typically continue to be sold as unpatented branded originator drugs. Based on brand attractiveness and market conditions, a number of "generics" (explained in the sub-chapter below) can enter the market and compete with the unpatented branded originator drugs, leading to lower drug prices.

Generic Prescription Drugs

Generic drugs are the chemical and therapeutic equivalents of small molecules reference branded prescription drugs, typically sold under their generic chemical names and have prices below those of their branded drug equivalent. These drugs can be introduced into the market once patents and regulatory exclusivity have expired on the originator branded prescription drug, and are generally required to meet similar governmental standards on manufacturing, safety and efficacy as their branded name equivalent and also must generally receive regulatory approval prior to their sale. They are nonetheless not typically required to be demonstrating safety and efficacy through the same clinical development route as long as the active principle is the exact copy of the original chemical molecule, and can be typically commercialized

upon evidence of bioequivalence to the originator product. Generic prescription drugs can come in an unbranded form as well as branded. Plain generic drugs are marketed and sold using only the generic chemical name (International Non-proprietary Name ("**INN**")), whereas branded generic drugs are marketed under a specific brand name that can be different from the brand name of the original product (the original branded product is also a branded generic once its exclusivity expires). Governments, in an effort to control rising healthcare costs, are increasingly mandating the use of generic drugs instead of the more expensive branded equivalents as they often provide similar benefits. The generic version of a biologic prescription branded drug is called biosimilar, and given the complex production process of biologics, its development requirements are higher than the small molecules generics, and include at least one clinical trial to demonstrate comparable safety and efficacy with the originating biologic.

Over-the-counter drugs

Over-the-counter (OTC) or non-prescription medicines can be purchased by a consumer without the supervision of a health care professional such as a physician and without a prescription. OTC drugs are typically tried and tested products which have been on the market for many years and are not typically protected by patents but rely on brands to differentiate themselves. There are very few truly global OTC brands, which results in a prevalence of local market leaders: local brands have thus the potential to be successful in niche markets.

Industry dynamics and drivers

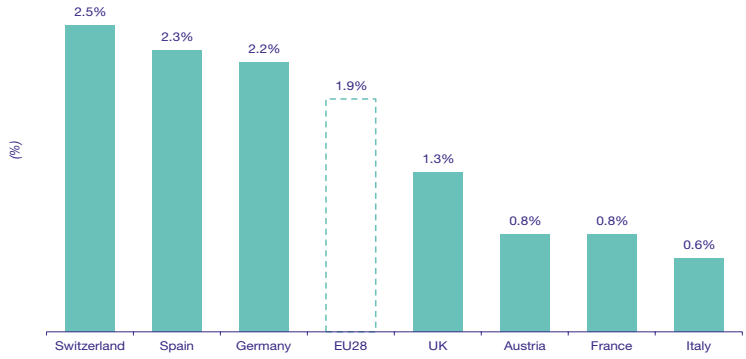
There are a number of fundamental characteristics and trends that have historically affected, and which we believe will continue to affect, the growth of the broader pharmaceutical industry over the medium to long-term. These include:

1. Non-cyclical industry driven by secular growth trends
2. Rising medical needs deriving from ageing populations including growing number of chronically ill or multi-morbid patients
3. Stronger demand for innovative products and therapies, leading to investment in scientific innovation, advances in medical technology, and the subsequent introduction of new products and treatment regimens addressing previously unmet medical needs and providing enhanced treatment options for existing patients
4. Expansion in availability of basic healthcare provision/services and increasing national income in emerging markets
5. Growing health consciousness and disease awareness, which increase the demand for healthcare services and facilities
6. Increasing focus in developed markets on pharmaceutical cost-containment, given budgetary pressures
7. Pharmaceutical products, in particular generics, are increasingly providing cost-effective healthcare spend alternatives

Healthcare is a resilient industry supported by secular growth trends

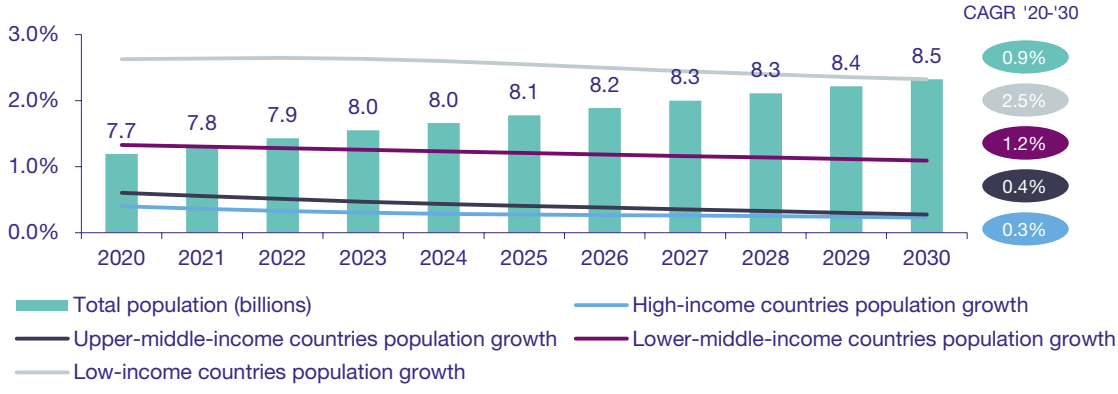
The pharmaceutical market is resilient and largely non-cyclical. Spending on prescription and OTC drugs is non-discretionary in nature and has historically increased throughout a variety of cyclical periods. This is exemplified across Europe, where there has been continued growth in healthcare expenditure in the recent past, with a similar trend expected going forward, driven by the broader sector drivers.

Annual average growth rate in per capita health expenditure, real terms, 2013-2017 (or nearest year)



Source: OECD Health Statistics 2018

Annual average growth rate in global population, by income class (2020-2030)

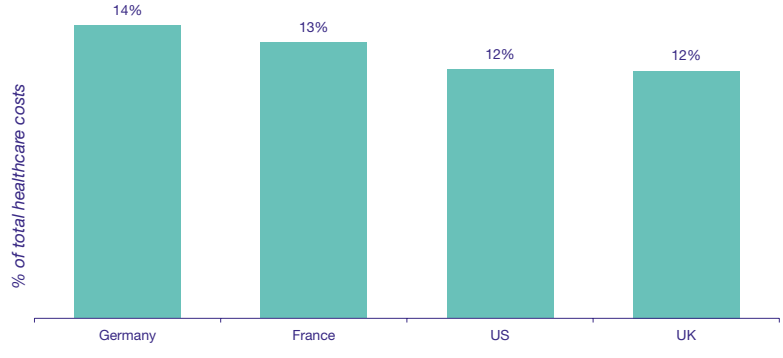


Source: United Nations, Department of Economic and Social Affairs, Population Division 2019

Note: Income split provided is as per World Bank Income Groups

In 2017, the spending for retail pharmaceuticals averaged $564 per person across OECD countries, adjusted for differences in purchasing power. However, there are wide variations in pharmaceutical spending per capita across countries, resulting from differences in volume, consumption patterns and prices, as well as use of generics.

Pharmaceutical expenditure as % of total healthcare costs (2017)



Source: OECD Health Statistics 2019

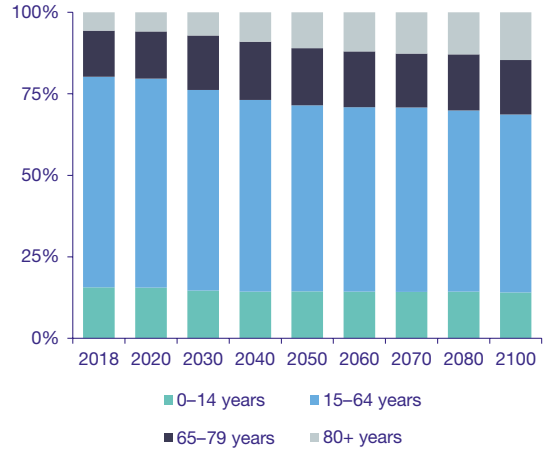
Note: Excludes pharmaceuticals consumed in hospital and other healthcare settings; refers to pharmaceuticals prescribed over the counter and other medical non-durables

Ageing population, comorbidities and lifestyle diseases

Increased demand for healthcare and pharmaceuticals is significantly driven by an ageing population. As birth rates have slowed and life expectancy has increased, people over the age of 65 are expected to make

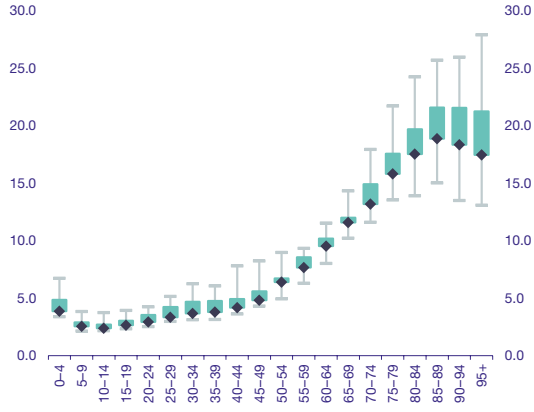
up a larger proportion of the population. Members of this age group have, on average, the highest demand for healthcare, since older individuals have a more consistent and broader variety of healthcare needs and generally consume a greater proportion of healthcare spending and pharmaceutical products compared to younger people, particularly for the treatment of chronic diseases. Members of this age group are generally more loyal to specific established pharmaceutical products, given their prolonged use.

Proportion of the EU population aged>65



Source: Eurostat 2018

Public health care expenditure by age groups in EU15 countries (% of gross domestic product per capita)

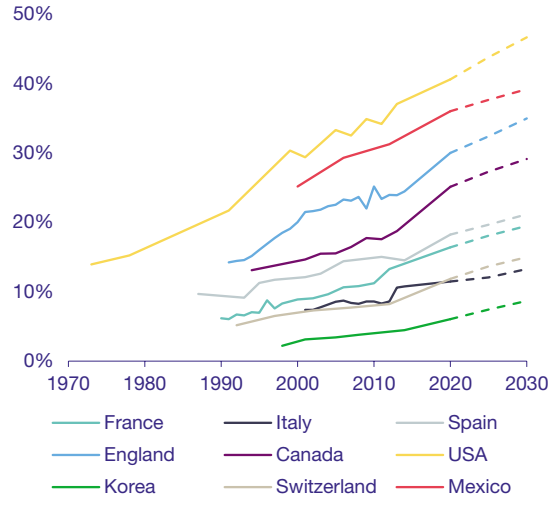


Note: The graph shows the dispersion of health care expenditure across countries by age groups. The diamonds represent the median. The boxes are the 2nd and 3rd quartiles of the distribution of expenditure across countries. The whiskers are the 1st and 4th quartiles

Source: European Commission, 2009 Ageing Report: Economic and budgetary projections for the EU-27 Member States (2008-2060)

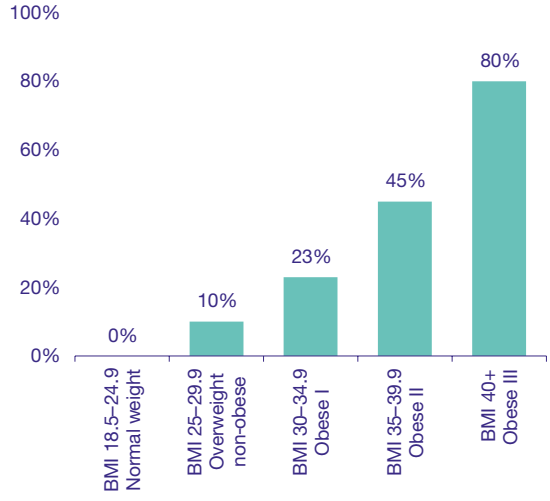
Increased healthcare expenditure is also linked to the increasing prevalence of lifestyle associated diseases. These are defined as diseases associated with the lifestyle choices of the person. In the developed markets, an increase in the consumption of unhealthy foods combined with a general trend towards a more sedentary lifestyle has led to an increase in ailments such as diabetes, heart disease, high cholesterol, high blood pressure and obesity. This has led to an increased demand for pharmaceutical products designed to treat and prevent these conditions and associated chronic diseases and morbidity.

Global obesity rates are predicted to rise through to 2030



Source: OECD Obesity Update 2017

Increase in average healthcare costs for obese vs normal weight individuals (%)



Source: World Obesity Federation 2017

Stronger demand for innovative products and therapies, leading to investment in scientific innovation and the subsequent introduction of new products and treatment regimen addressing previously unmet medical needs and providing enhanced treatment options for existing patients

New medicines are expected to transform patient care in connection with a large number of diseases, including respiratory and cardiovascular diseases, as well as oncology, immunology and central nervous system disorders, requiring increasing amounts of R&D expenditures. According to the European Federation of Pharmaceutical Industries and Associations, the pharmaceutical industry invested more than €35.3 billion in R&D in Europe in 2017, compared to €17.8 billion in 2000, representing an increase of approximately two times. Following the pharmaceutical life cycle, innovative products will inevitably lose patent protection, becoming mature products and allowing for the introduction of generic drugs.

Emerging markets have seen a significant growth in healthcare expenditure driven by expansion in availability of basic healthcare provision and increasing national income

According to IQVIA, emerging markets are expected to account for a large portion of overall pharmaceutical spending growth in the coming years. Emerging markets China, Brazil, Russia, India and other developing countries (with per capita income below $30,000 and a five year aggregate pharmaceutical growth over $1 billion as per IQVIA classification) have grown at a 9.3% CAGR in global medicine spending between 2014 and 2018 and are expected to drive further global growth. China is the largest emerging market, with $137 billion in sales in 2018 and is expected to grow at approximately 3-6% from 2019 to 2023 (source: *The Global Use of Medicine in 2019 and Outlook to 2023. IQVIA Institute for Human Data Science. Jan 2019*). Overall economic activity in emerging markets is expected to grow in line with rising disposable incomes, rising life expectancy and increased access to medical care. Compared to more mature markets, emerging markets tend to have a larger proportion of branded originator and generics products and have health care systems that promote higher levels of "out-of-pocket" spending by the consumer.

Growing health consciousness and disease awareness, which increases the demand for healthcare services and facilities

In Western markets, with the onset of several lifestyle diseases and lack of affordable late stage care, people are becoming increasingly health conscious which is resulting in a shift towards preventive and primary care solutions. The application of technology to the healthcare space is providing consumers with greater access to personal healthcare data though wearable diagnostics, self-diagnostic kits etc. Patients are increasingly able to track health indicators, identify early stage symptoms and take precautions accordingly, leading to an increased demand for OTC products and healthcare services via regular check-ups and out-patient care.

Increasing focus in developed markets around pharmaceutical cost-containment, given budgetary pressures

Government austerity measures, especially in the Eurozone, are resulting in the tightening of reimbursement policies and increasing pressure on the price pharmaceutical companies can charge for their products. Furthermore, reductions in overall health care spending by governments has led to an increased focus on cost effective alternatives, including generic prescription products. Governments, are increasingly mandating the use of generic drugs instead of the more expensive branded equivalents as they often provide similar benefits. Once a generic version of an original branded product enters the market, governments may also limit the reimbursement of the product to the price of the generic drug in order to generate savings.

Pharmaceutical products, in particular generics, are increasingly providing cost-effective healthcare spend alternatives

There has been an increasing trend to promote affordable healthcare due to increasing pressure on healthcare systems. Compared to other healthcare measures such as hospitalization and surgery, pharmaceutical products contribute a relatively small share to total healthcare spending, representing an average of 16.3% of total healthcare cost of OECD countries for 2018 (source: *OECD Health Statistics 2019*). Thus they remain a cost-effective measure for healthcare payers for the management of diseases. Affordable healthcare promotes the use of generic and low cost off-patent drugs versus high cost innovative drugs, wherever possible. Furthermore, greater engagement with large pharmaceutical companies around pricing is helping to rebalance the price dynamics with favorable pricing provided to demonstrable innovation and improvement in patient outcomes.

Industry Structure

The broader global pharmaceutical industry can be grouped into five categories of players depending on their business model and product focus, each addressing different market segments as described below:

Integrated Global Pharmaceutical Companies

Integrated global pharmaceutical companies are typically global companies that are involved in all aspects of the pharmaceutical value chain from early stage compound discovery, research and development to the sale and marketing of the pharmaceutical product. The high failure rates and costs associated with discovering and developing a compound in the laboratory through to successful commercialization, leads most global pharmaceutical companies to focus their efforts on the development and commercialization of a limited number of drugs with blockbuster potential so as to achieve a level of profitability in line with the company strategy. Many of these companies might also have a focus on non-prescription products such as OTC and consumer health (although less and less). Examples of integrated, global pharmaceutical companies include AstraZeneca, Pfizer, GlaxoSmithKline, Merck & Co., Sanofi, Novartis, Roche, Bayer, Eli Lilly and Johnson & Johnson.

Specialty Pharmaceutical Companies

Specialty pharmaceutical companies are typically small to medium-sized companies focused either on specific geographies or therapeutic areas. Geographically-focused pharmaceutical companies focus primarily on the marketing and distribution of drugs within selected regions where they have developed a strong sales force presence. These companies often have broad product portfolios and strong national or regional distribution networks, and therefore tend to be less at risk from the failure of any single product and, unlike global pharmaceutical companies, focus their efforts on small and medium value drugs. Specialty therapeutic area drug-focused pharmaceutical companies instead, typically build, maintain and market product portfolios focused on specific therapeutic areas. These companies generally seek to have a multi-national presence in their particular product markets, and their product portfolio could include either patented products or branded originator or generic products. Examples of specialty pharmaceutical companies include Ipsen, Lundbeck, Almirall, Recordati, Menarini, Zambon, Chiesi and Pierre Fabre. Cheplapharm is an example of a specialty pharmaceutical company with a niche positioning and focus strategy as it uses a buy-and-build model by acquiring well established, off-patent, branded legacy and niche originator pharmaceutical products from large pharmaceutical companies and brings in efficiency in operations and sales of these products.

Biotechnology Companies

Biotechnology companies are broadly defined as businesses focusing on drug discovery and pre-clinical and clinical-development of medicinal products, based on proprietary highly innovative technologies. They are often engaged in product development which involves biological processes and are generally engaged in the early stages of the value chain. Although a number of larger biotechnology companies exist, which have built in-house sales and marketing structure after having successfully achieved market authorization for their internally developed products, more typically biotechnology companies seek to bring their products to market through partnerships and alliances with larger pharmaceutical companies (which have established sales and marketing functions). Biotechnology companies are increasingly the driving force responsible for the discovery and development of new drugs, and often incur much larger research and development expenditure, relative to their size, in comparison to other pharmaceutical companies with a marketed product portfolio. Examples of Biotechnology companies include Biogen, Celgene, Gilead, Amgen, Uniqure, Exelixis and Intercept Pharmaceuticals.

Generic Pharmaceutical Companies

Generic pharmaceutical companies focus on the manufacture and sale of generics, which are the chemical and therapeutic equivalents of reference branded prescription drugs, which are no longer patent-protected. These companies do not typically engage in the research and development of new products and seek to maintain profitability by focusing on low cost and high volume production. Examples of generic pharmaceutical companies include Mylan, Teva, Sandoz (subsidiary of Novartis) and Sun Pharma.

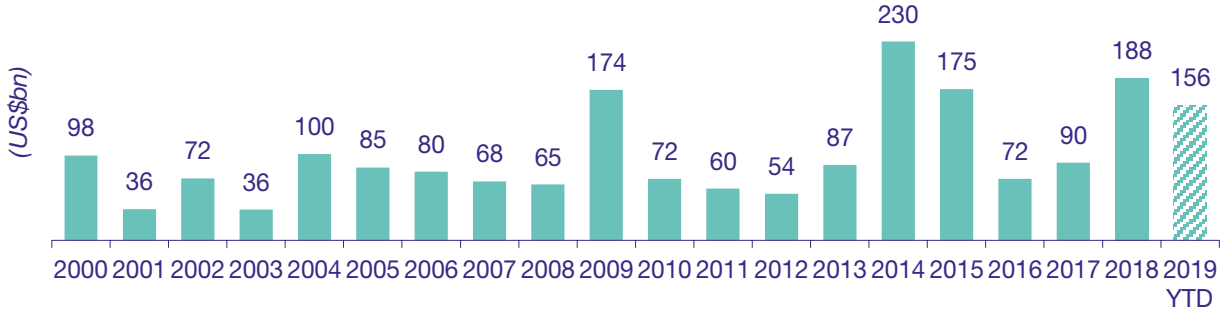
Consumer Healthcare Companies

Consumer healthcare and OTC companies focus on the manufacture and sale of products that meet health needs but do not require prescriptions. Despite varying definitions of consumer healthcare, it is generally considered to be made up of any consumer good in which health related claims can be made including: OTC medicines, personal hygiene, oral care, food and beverage, nutritional products, vitamins and supplements, infant care products and nutraceuticals. These products are characterized by significantly lower levels of regulation and government involvement and the products are generally not reimbursable under government-backed healthcare schemes. The consumer healthcare market and companies are largely brand-driven, with a correlation between profitability and the contribution of leading brands to companies' portfolios both globally and locally. OTC drugs account for the largest portion of the consumer healthcare market, followed closely by vitamins and dietary supplements. Examples of Consumer Healthcare Companies include Prestige Brands, Reckitt Benckiser and Genomma Labs.

Continued M&A activity within pharma supported by the disposal of non-core products

In the recent past, M&A activity has been robust in the pharmaceutical industry as companies have tried to maintain revenue growth and maintain or expand margins. Innovative products developed through R&D activities tend to be the focus of global pharmaceutical companies given the need referred to above, but as most players have been reducing focus on internal R&D activities, these companies are regularly needing to turn to M&A to feed their product pipeline. The same focus on innovative, more financially rewarding products also drives regular selective divestments of off-patented mature products having sales and margins dropping below company targets, which in turn drive M&A activity.

Deal volume in the pharmaceutical industry

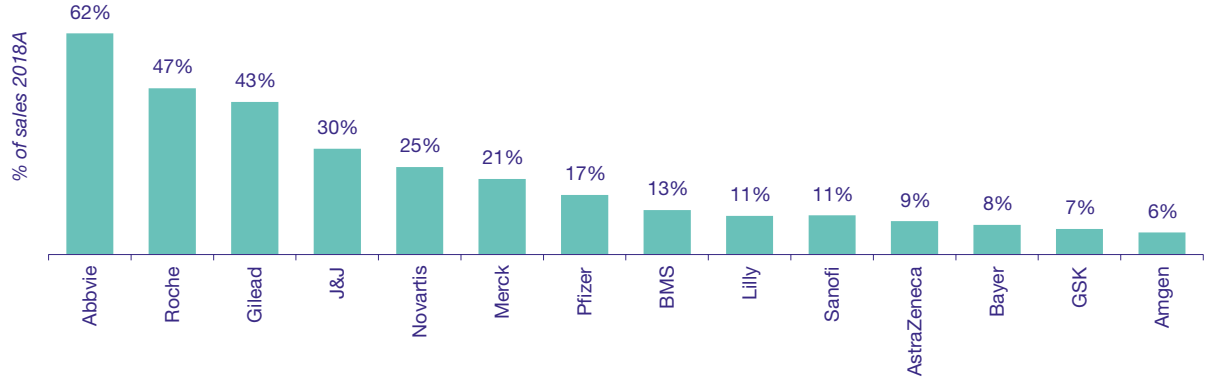


Source: Dealogic as of 6-Nov-19

Note: Includes all publicly available M&A transactions in the pharmaceutical space from 01-Jan-2006 till 06-Nov-2019, of manufacturers or wholesalers engaged in medicine and botanical uncompounded chemicals (grading, grinding and milling of uncompounded plants used for medication).

The divesture of off-patent products by global pharmaceutical companies is expected to continue given the limited duration of patent protection on any given product: there are a number of products losing patent protection in the coming years in most of global companies' portfolios. Several large pharmaceutical companies have a substantial proportion of their current sales at risk from patent expiry, with many of these products expected to be disposed in the medium to long term as they would no longer support the overall growth profile of the business.

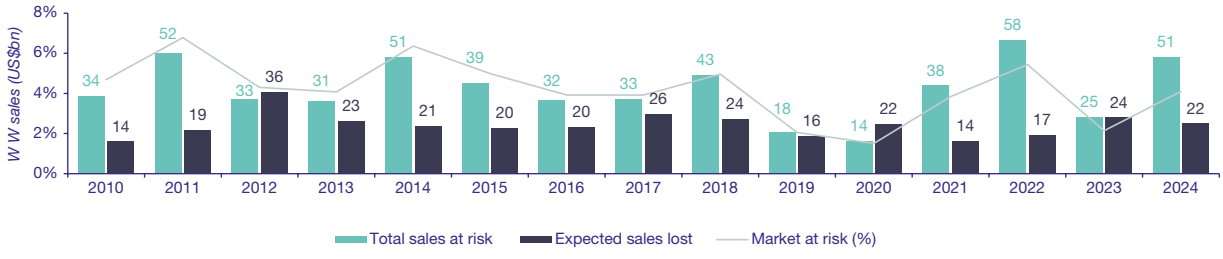
Healthy pipeline of large pharma disposal candidates driven by upcoming patent expiries



Note: Chart shows the proportion of 2018A sales at risk due to patent expiries between 2019E-2024E

Source: EvaluatePharma as of Nov-19

Annual worldwide prescription & OTC pharmaceuticals sales at risk from patent expiration (2010-2024)



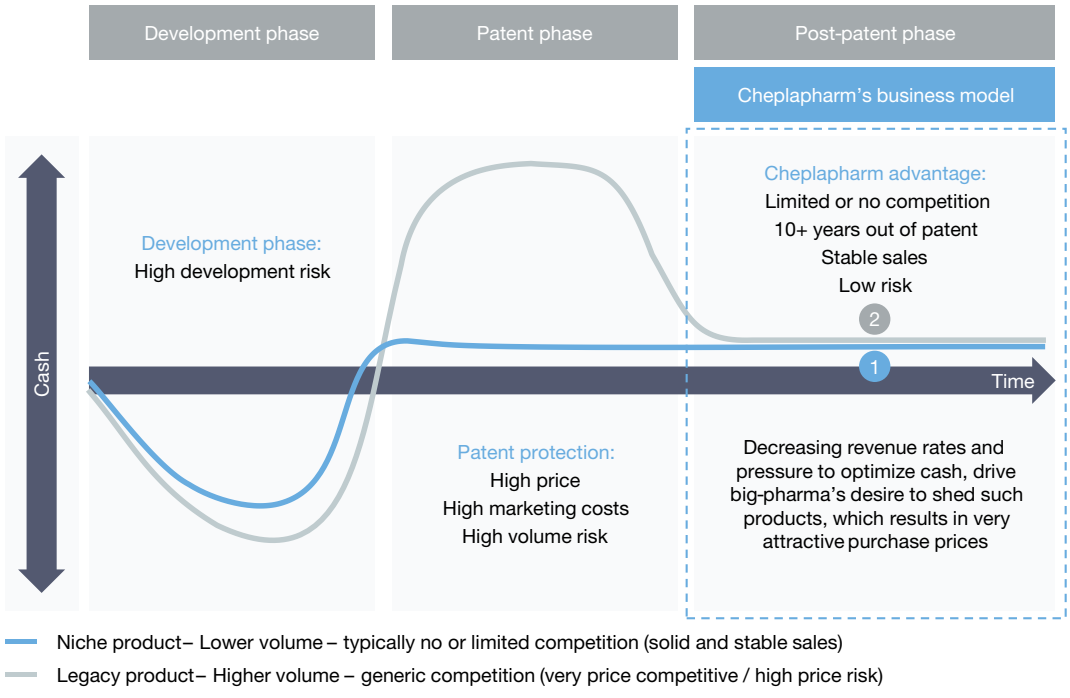
Source: EvaluatePharma as of Nov-19

The development of pharmaceutical products carries high risk due to the associated R&D costs. Companies developing innovative products are provided with patent protection which in turn provides them with exclusivity to market the innovative product, making the drug development industry attractive. Given the high profitability of patent-protected products, large pharmaceutical companies have a strong preference to operate in this segment. At the same time large pharmaceutical companies have been divesting an increasing number of products to streamline their portfolio and reduce complexity. These divestitures are often made in bundles as "package deals" intended to be picked up by a single acquirer, to facilitate an efficient transaction, execution and integration process and transition services. Acquirers with capabilities to commercialize product across therapeutic areas and geographies have a distinct advantage over other bidders.

Upon loss of patent protection, products selling large/high volumes face competition from generics resulting in progressive decline in prices and also volume decrease. However, the lower volume products typically continue on solid and predictable sales levels as they face limited generic competition as a result of being less attractive products to develop for a generics manufacturer given the limited volumes. Although some products have limited competition, they are low volume ("1" in the graph below) products by nature (e.g. products for niche indications) and do not match the sales levels of high volume products ("2" in the graph below). These low volume products are a result of small patient populations and these typically face lower generics entrants due to the lack of economic viability associated with development costs required for such relatively small market opportunity.

Companies such as Cheplapharm acquire products in both groups (high and low volume) several years post patent expiry, with stable or slightly declining sales, low risk profile and limited competition. Therefore, such companies do not take any R&D risk and face lower volume decline risk. Moreover, these products often are more efficiently commercialized by companies like Cheplapharm due to them not having the complexities of a large pharmaceutical company.

Cash flow profile at various stages of a pharmaceutical product's life



Source: Company Information

Pricing and Reimbursement

Healthcare is a major focus of governments around the world, with health services consuming a significant percentage of governments' budgets. Sales of pharmaceutical products depend in part on the availability of reimbursement from third-party payers. Third-party payers include government health programs, managed care providers, private health insurers and other organizations. Pharmaceutical prices in Europe are predominantly regulated by government controlled authorities.

The majority of European citizens obtain their healthcare benefits from state-organized programs. Governments in European nations exert significant control over the cost of care, either through price controls on prescription drugs, or reimbursement policies for prescription drugs sold within the country.

Summary Overview of Selected Geographic Markets

Germany

The pharmaceutical market in Germany recorded $42 billion in sales in 2017, of which 69% by value was from originator brands (source: *OECD Health Statistics 2019, OECD Dataset Pharmaceutical Market, EFPIA: The Pharmaceutical Industry in Figures 2019*). The market has a mixed structure between branded and unbranded prescribing, with the bulk of the retail market covered by unbranded tenders. Outside of the tenders, a branded market exists, however pharmacists are generally forced to dispense one of the cheapest products unless the doctor forbids substitution. In Germany, health insurance has been compulsory since 2009. In 2017, around 89% of the population was covered by statutory health insurance with around 11% of the population covered by private health insurance (source: *OECD Health Statistics 2019, OECD Dataset Social Protection*). Statutory health insurance is provided by statutory healthcare funds (*Krankenkassen*). Through these funds, citizens have equal access to healthcare benefits from healthcare professionals who are licensed and provide healthcare services within the statutory healthcare system. For the employed, membership in the statutory health insurance system is mandatory for all employees earning less that €60,750 per year as of 2019 (source: European Commission Employment,

Social Affairs & Inclusion). Under the Pharmaceuticals Market Reorganization Act, a revised reimbursement system introduced in 2014 within the German statutory health insurance, the price of drugs employing new active pharmaceutical ingredients are allowed to have their prices set by the manufacturer for the first twelve months post-launch. At the end of twelve months, the price of drugs that demonstrate additional benefits can be negotiated between drug manufacturers and the German federal association of statutory health insurance funds.

Italy

The Italian pharmaceutical market recorded $26 billion in sales in 2018, of which 91% by value was from patented drugs (source: OECD Health Statistics 2019). The market is highly brand-conscious, resulting in a high level of usage of branded products by both doctors and patients. In Italy, the price setting of medicines reimbursed by the National Health Service (the "**Sistema Sanitario Nazionale**") is regulated at central level by the Italian Medicines Agency ("**AIFA**"), the national regulatory authority. The Italian health care system is mostly public and the price of drugs is determined under strict Health Technology Assessment processes. Reimbursement levels for pharmaceutical products by the SSN is set through direct negotiation between AIFA and the pharmaceutical companies. The SSN is largely funded through national and regional taxes, supplemented by co-payments from patients for pharmaceuticals and outpatient care. Public sources make up approximately 74% of total healthcare spending, with private spending accounting for approximately 26%, mainly in the form of out-of-pocket expenses as of 2018 (source: *OECD Health Statistics 2019*). In Italy, only a small fraction of total healthcare expenditure is funded by private health insurance.

France

The pharmaceutical market in France recorded $36 billion in sales in 2013, of which 76% by volume was from originator brands (source: OECD Health Statistics 2019). While the market is effectively unbranded, with physicians increasingly writing INN prescriptions, branded prescribing remains common. France has a social insurance system which provides near universal coverage for patients. Public funding represents 83% of total healthcare expenses while the remaining 17% are covered by private sources. The Voluntary Health Insurance ("**VHI**") covers around 44% of private healthcare expenditure and 56% of private health expenses represent out of pocket household spend (source: *OECD Health Statistics*). In an effort to contain overall healthcare costs, the government closely controls the supply of prescription drugs in its capacity as both regulator and the industry's largest customer.

Japan

The pharmaceutical market in Japan recorded an estimated value of $60 billion in sales in 2017, of which 85% by value was from originator brands (source: *OECD Health Statistics 2019*). The market is brand-conscious, resulting in a high use of branded products. Public funding accounts for 84% of total health expenditure versus a private healthcare spending of 16% in 2017, of which 80% is covered by out-of-pocket household expenditures and the remaining being covered by voluntary health insurance schemes. The pharmaceutical regulatory authority of Japan is the Pharmaceutical and Food Safety Bureau of the Ministry of Health, Labour and Welfare ("**MHLW**"). This is where the decision for application approval is formally made. The drug pricing system in Japan is regulated by various health authorities such as the Drug Pricing Organization ("**DPO**"), MHLW and Central Health Insurance Medical Council ("**Chuikyo**"). The MHLW is the regulatory body that oversees food and drugs in Japan, which includes creating and implementing safety standards for medical devices and drugs. The Pharmaceutical and Medical Device Agency is an independent agency that is responsible for reviewing drug and medical device applications. The Chuikyo, which is composed of academics, health insurers, physicians, government officials and others, provide recommendations on pricing that the MHLW takes into consideration in reaching a final decision.

Overview

We are a leading specialty pharmaceuticals company headquartered in Greifswald, Germany, with an international footprint and a broad portfolio of more than 90 products across more than ten therapeutic areas, including cardiology, oncology and infectious diseases. We focus on acquiring well established, off-patent, branded legacy and niche originator pharmaceutical products with predictable cash flows from large pharmaceutical companies. Pharmaceutical companies regularly seek to dispose of these products to reduce the complexity of their product portfolio and because these products no longer fit their business model, even if still profitable. They seek reliable and experienced buyers, such as us, to dispose of these products given that maintaining market supply is paramount to mitigate potential reputational risk. We have a strong track record of ensuring uninterrupted supply, and are typically able to generate additional value from these well established, off-patent branded legacy and niche originator products by reducing complexity and costs throughout the value chain. We achieve that due to our lean setup, including outsourced manufacturing, as well as through our outsourced global distribution capabilities. Since our inception in 1998, we have established relationships with more than ten different pharmaceutical companies by acquiring their products. We believe that our track record of successful acquisitions and our proven ability to integrate new products into our business in a timely and seamless manner make us a preferred partner for many large pharmaceutical companies, such as AstraZeneca, Bristol-Myers Squibb and Roche.

We operate a lean business model focused on (i) selecting and acquiring suitable off-patent, branded niche or legacy originator products or product portfolios that fit our disciplined acquisition criteria, (ii) managing the transfer of the required approvals to market them across various countries and (iii) integrating them into our established value chain of contract manufacturing organizations ("**CMOs**") and distributors. With no own manufacturing facilities or sales force, our asset light business model typically enables us to reduce production as well as sales and marketing costs by outsourcing production and distribution of our products to third parties. Our large network of CMOs allows us to choose the partner which is able to offer the lowest production costs and best quality for a specific product or pharmaceutical form. In addition, we may be able to achieve economies of scale and negotiate favorable terms with CMOs by bundling the production of various products with the same CMO.

We distribute our products in more than 120 countries across six continents, predominantly through our extensive network of distribution partners, with many of whom we have long-standing relationships. Not maintaining our own distribution capabilities in the majority of the countries we operate in allows us to choose local distribution partners who we believe are best suited for a specific product and to focus on the most efficient distribution channel. At the same time, we may be able to realize efficiencies by bundling the distribution of various products with the same distribution partner.

Given our business model and the off-patent status of our products, we do not develop products and have no research and development ("**R&D**") activities of our own. Therefore, we are not exposed to the significant risks and upfront investments that are associated with the development of new pharmaceutical products. In addition, given that our products have typically been on the market and off-patent for a prolonged time, there is a very limited need to invest in product improvements, line extensions or similar measures.

Our sales are well diversified by geography, therapeutic area and product. The table below provides an indication of the share of total sales represented by our ten largest products in our five largest geographic market for the nine months ended September 30, 2019:

	Atacand	Dilatrend	Xenical	Lexotan	Cyme-vene	Visudyne	Kona-kion	Fungi-zone	Deursil	Vesanoid
Switzerland*	<1%	<1%	1%	9%	1%	5%	<1%	<1%	<1%	<1%
Sweden*	15%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Italy	<1%	3%	<1%	<1%	<1%	<1%	<1%	<1%	3%	<1%
France	<1%	<1%	<1%	<1%	<1%	<1%	<1%	2%	1%	<1%
Germany	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%

* Shares in sales of Xenical®, Lexotan®, Cymeveme® and Visudyne® in Switzerland as well as of Atacand® in Sweden are influenced by the geographic location of sellers under the transitional services agreements (Roche and Novartis in Switzerland and AstraZeneca in Sweden).

As a result of this diversification, we are not dependent on a single product or geography. Our products are used by a diverse customer base including consumers, doctors, pharmacies, hospitals, mail-order companies, buying groups, wholesalers and other service providers in the healthcare market, as well as public or private health insurance organizations. We estimate that our primary customer groups are physicians, hospitals and patients paying for their products 'out-of-pocket'. Our products typically also benefit from a loyal customer base which has used or prescribed the product for many years and, therefore, is less likely to switch to a different product. We believe that these "pull factors" are particularly characteristic of prescription drugs, sales of which represented approximately 94% of our sales for the nine months ended September 30, 2019 with approximately 5% being generated from the sale of OTC products. Finally, competition for our products is often limited or well-known. Our products have typically been off-patent for several years and the competitive landscape has settled by the time we acquire the products. This is because generic products are typically launched immediately after patent protection for the originator product expired. Accordingly, the sales decline for an originator product is most severe immediately following expiry of patent protection and hence, by the time we acquire a branded originator product, the risk of new products entering the market is relatively low, driven by non-compelling economics for new entrants given the niche or legacy nature of the sub-segment of the pharmaceutical industry in which we operate.

Our business has grown significantly in recent years. We have increased our revenues and EBITDA before non-recurring items from €132.5 million and €69.7 million, respectively, for the year ended December 31, 2016 to €460.6 million and €253.9 million, respectively, for the twelve months ended September 30, 2019. During the same period, we achieved an average EBITDA before non-recurring items margin of 53.4%. In addition, our asset light business model allowed us to realize a Cash Conversion Ratio of 64.1% for the twelve months ended September 30, 2019.

We believe that the future growth of our business is supported by a number of favorable long-term trends. We expect that there will continue to be attractive acquisition candidates available to us as a result of large pharmaceutical companies reducing the complexity of their portfolio and focusing on newer patented products. This expectation is underpinned by a substantial proportion of currently marketed pharmaceutical products for which patent protection will expire by 2024, a trend expected to continue in later years as "blockbuster" and other drugs lose patent protection, as well as the continuing trend toward mergers & acquisitions in the pharmaceutical industry, which we expect will result in the realignment of product portfolios. At the same time, we expect that the broader pharmaceutical industry will continue to grow in the future as a result of rising medical needs driven by a growing and ageing population, the availability of new and innovative products addressing previously unmet medical needs, the expansion in the awareness and availability of healthcare and increasing national income in emerging markets.

Our Strengths

Differentiated and low-risk business model given proven, mature products with a stable competitive environment and an established customer base

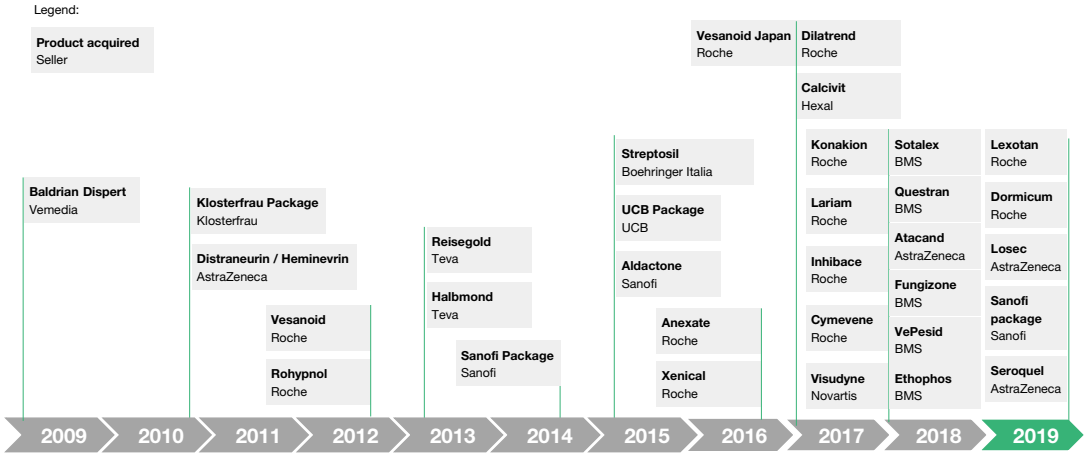
We focus on acquiring original, well established, off-patent branded legacy and niche originator pharmaceutical products which have been on the market for many years and for which patent protection expired several years ago. We believe such products offer attractive opportunities with limited risk, given the long prescription track record, well understood side effects and lower litigation risk. Such products are also characterized by stable customer bases and visibility on revenue streams, long phase-out periods and a strong "pull effect" (*i.e.*, limited to no marketing required as brands are well established and have a high degree of loyalty or familiarity with the prescriber or end user). We believe that these factors also reduce the risk of new competitors entering the market for our products, given the non-compelling economics for a new entrant, as the competitive landscape has settled and introducing a new product would entail significant costs.

Our product portfolio comprises well established, off-patent branded "legacy" originator products and "niche" originator products, sales of which each represented approximately half of our sales for the nine months ended September 30, 2019. Niche products benefit from limited or no competition due to the overall limited market size and scale constraints for generic companies and are unlikely to be replaced by new treatment alternatives. Legacy products are frequently higher volume drugs covering broader market segments and diseases, face more competition from generic products, as compared to the competition faced by niche products, given larger market size and earnings potential, but benefit from a strong "pull effect" due to the long track record in the market as the originator product. Our products are also predominantly prescription drugs and we believe that the "pull effect" is more prevalent for prescription drugs.

Given our products' long time in market and safety history, combined with sticky customer bases, high brand awareness and long phase-out periods, such branded niche and legacy originator products generate more predictable revenue and cash flows compared to new pharmaceutical products, while having limited drug-specific downside risks, such as litigation. As we do not engage in R&D, we are neither exposed to R&D risk nor to the upfront investments associated with R&D activities.

Leading position in most relevant markets and a preferred partner for global pharmaceutical companies with the ability to execute and integrate complex product acquisitions

With our extensive track record of acquisitions, ability to swiftly negotiate and execute acquisitions, global distribution partner network and knowledge of regulatory and pharmacovigilance matters, we believe we are a preferred partner for leading global pharmaceutical companies seeking to divest off-patent pharmaceutical products. Since 2003, when we were acquired by the Braun family and our current Chief Executive Officer and Chief Scientific Officer joined the Group, we have established relationships with more than ten different pharmaceutical companies by acquiring their products, including AstraZeneca, GlaxoSmithKline, Novartis, Teva, Roche and Bristol-Myers Squibb. We believe that we have particularly strong relationships with Roche and, more recently, AstraZeneca as we have acquired multiple products or products bundles from each of them during the last years.



These relationships are further strengthened by our ability to swiftly negotiate and execute acquisitions due to fast decision making processes, our dedicated team of experts and our long track record. We follow a

disciplined, standardized and proven acquisition process with acquisition criteria that have been largely unchanged for more than 15 years. Given our lean structures and the fact that our Chief Executive Officer and Chief Scientific Officer are also our shareholders, we are in a position to evaluate and agree acquisition opportunities quickly.

Large pharmaceutical companies are increasingly focused on divesting product bundles—across product types, therapeutic areas and geographies—instead of single product divestments. We believe that we are one of only a few companies with the knowhow and experience necessary to execute such complex product portfolio acquisitions in a timely and efficient manner. In addition, our global distribution network helps to ensure ongoing product availability in existing markets, which is a central decision-making factor for sellers seeking to minimize reputational risk from stock-out situations.

Due to these relationships and our track record of acquisitions, we believe we have been able to acquire products with strong positions in relatively large markets, in particular through our acquisitions of Xenical® (which we acquired in 2016), Dilatrend® (which we acquired in 2017), Atacand® (which we acquired in 2018) and Lexotan® (which we acquired in 2019), which we estimate to have market shares in the countries in which we distribute the relevant product of approximately 33%, 40%, 20% and 56%, respectively in the territory in which we market the respective product.

Ability to integrate new products into global network and create value

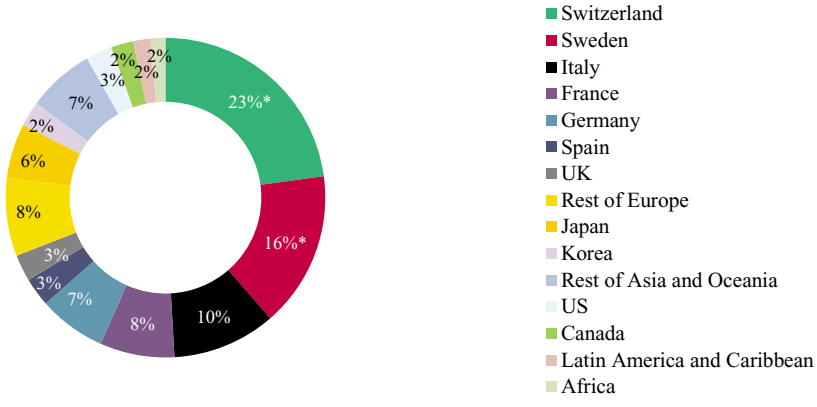
With over 80 acquisitions spanning a time period of more than 20 years, we have an extensive track record of integrating acquired products into our network thereby optimizing product potential and contribution margins. We have a large team of scientific and regulatory experts, which we have continued to expand in recent years in line with our growth. As of September 30, 2019, over 60% of our full time equivalent employees were active in our core functions regulatory, pharmacovigilance and quality control. This team of in-house experts manages the transfer of required marketing authorizations in a timely manner and enables us to integrate newly acquired products into our existing network of CMOs and distributors efficiently. We believe that this track record, combined with our strong in-house capabilities in critical core areas, make it relatively difficult for new entrants to replicate our business model.

We generate additional value from newly acquired products through a number of key levers, typically including reduced overhead costs (such as sales and marketing expenses) and complexity (for example through centralized marketing authorization management), lower production costs (by outsourcing production to CMOs), optimized manufacturing arrangements and active pricing strategies. Product cost optimization through outsourced production by CMOs and, in turn, reduced production costs is the most important value lever and typically accounts for most of the cost savings we are able to achieve.

Our distribution platform comprises global partners with distribution capabilities in more than 120 countries, which allows us to ensure product availability across existing markets. We are also able to realize additional potential from our products by choosing a distributor who is best suited for a given product or bundling the distribution of several products with the same distributor.

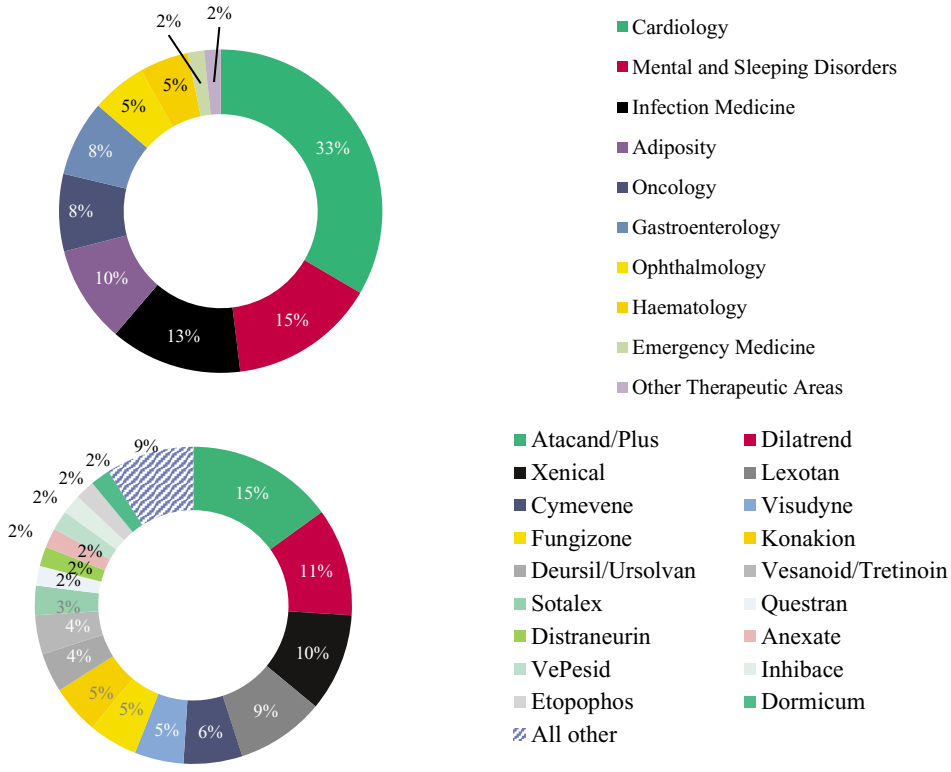
Diversified revenue base and good revenue visibility

We have a well-diversified sales base by geographic region, therapeutic area and product. The charts below show our sales by geography, therapeutic area and product for the nine months ended September 30, 2019:



* Includes sales under transitional services agreements with Roche (Switzerland) and AstraZeneca (Sweden). TSA-relates sales are recorded in the country of the pharmaceutical company that has divested the relevant product to us. Sales are

only recorded in the actual country, where the underlying sale occurred after transfer of the marketing authorization for the product in that country is completed. Please see "*Our Business—Acquisition Strategy—Integration of Acquired Products*" for more details.



Our diversified revenue base helps to limit our exposure to regulatory risk in individual healthcare markets by geography and therapeutic area. We estimate that approximately one-third of our revenues are linked to products for which patients pay out-of-pocket. In addition, our focus on prescription pharmaceutical products, which accounted for approximately 94% of our sales for the nine months ended September 30, 2019, provides us with good revenue visibility based on the established nature of the product in the market, the relative stability of prescription patterns and the more limited substitution risk due to physicians' and patients' familiarity with the product. Moreover, we estimate that more than half of our revenues are generated by sales of "niche" products with limited or no competition in the market.

Asset light business model with limited capital expenditure requirements and strong cash flow generation

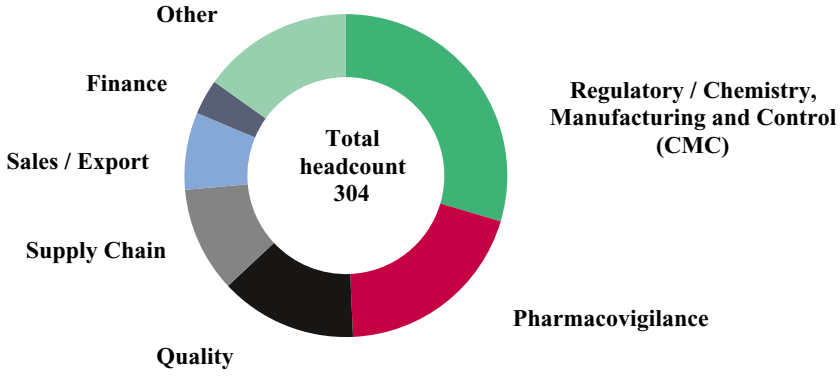
We operate an asset light business model characterized by no own manufacturing operations and no involvement in R&D activities. In addition, we outsource a significant portion of our distribution to third parties under long-term contracts, which allows us to maintain a low fixed cost base with limited capital expenditure requirements beyond investments in selective acquisitions of new products.

The combination of our low fixed cost base and limited capital expenditure requirements support a scalable business model and high EBITDA margins and cash conversion rates. In the financial years ended December 31, 2016, 2017 and 2018 and the nine months ended September 30, 2019, our EBITDA margin amounted to 52.5%, 56.2%, 58.4% and 53.9%, respectively. For the same periods, our Cash Conversion Rate was 79.8%, 69.2%, 56.2% and 76.1%, respectively.

We also believe that our business model is scalable and able to generate significant economies of scale. The complexity of integrating and managing new products is primarily driven by the number of marketing authorizations that are required to be transferred in each country that the product is sold in and the need to ensure uninterrupted supply rather than the sales volume of the acquired product. Our expertise, experience and knowhow in the transfer of marketing authorizations as well as our existing global distribution network therefore allows us to efficiently integrate new products at relatively low additional fixed costs. Since 2016, we have successfully transferred approximately 475 different marketing authorizations to us.

Highly qualified and committed management team with excellent track record

Our senior management team has been instrumental in the success of our buy-and-build strategy, with a track record of more than 90 successful acquisitions with a cumulative acquisition value exceeding €1.8 billion since the acquisition of Cheplapharm by the Braun family in 2003. Our senior management team is supported by dedicated managers who have significant experience in regulatory and pharmacovigilance affairs and a team of highly-qualified personnel, approximately 55% of which have an academic degree.



We are also a family-owned company and benefit from the long-term commitment of our shareholder, the Braun family, which include our Chief Executive Officer, Sebastian Braun, and Chief Scientific Officer, Bianca Juha, who have consistently supported our growth through the reinvestment of retained earnings in the business in lieu of dividends. They are complemented by our Chief Operating Officer, Edeltraud Lafer, who has nearly 30 years of experience in the pharmaceutical industry, and our Chief Financial Officer, Jens Rothstein, who has served in that role since 2012.

Our Strategy

Pursue selective growth opportunities through disciplined acquisitions and continue to strengthen our existing integration platform

We intend to continue to grow our business through disciplined and selective acquisitions of well established, off-patent branded niche and legacy originator pharmaceutical products in line with our time-tested acquisition strategy. As a result of upcoming patent expiries for a considerable amount of products, we expect to continue to find ample opportunities for acquisitions of new products in the medium term. We will continue to leverage our regulatory and pharmacovigilance expertise to identify new products with predictable revenues as well as limited risks and competition. In addition, we remain focused on products with potential for production cost optimization and contribution margin improvement.

Our acquisition strategy includes key criteria such as:

- **Valuation:** Less than 3.5 times annual sales;
- **Remaining economic life:** Products which we do not believe will be replaced and will remain economically viable for more than ten years;
- **Return on Investment:** We target an EBITDA margin of more than 50% with the aim to recover our investment within between 4 to 5.5 years (on an EBITDA basis and without taking into account potential improvements from complexity and cost reduction or other key value levers);
- **Presence of the pull effect:** Brands that are well established in the market and have a high degree of loyalty or familiarity with the end user, thereby requiring limited or no marketing efforts which are necessary for 'push' products;
- **Market position:** The product should have either a 'niche' position providing opportunity for growth or otherwise be available at extremely attractive prices such as legacy products;
- **Production:** Should be ensured in the long-term; and
- **Balanced product portfolio:** Maintaining our diversified product portfolio by limiting the incremental sales contribution from each acquired product to a size which is adequate compared to the revenue of our overall product portfolio at the time.

In line with our expected growth, we plan to continue to enhance our product integration capabilities, in particular by expanding our regulatory, pharmacovigilance and quality control functions. In order to manage our expected growth more efficiently, we intend to outsource certain functions for which third parties are better suited or utilize freelance work, as deemed appropriate.

Further strengthen market position and remain a partner of choice to leading pharmaceutical companies for the acquisition of off-patent, branded legacy and niche originator products

We seek to maintain and strengthen our relationships with the leading global pharmaceutical companies as we focus on expanding our market position as a leading specialty pharmaceutical company. We believe our longstanding experience and proven track record in the industry, together with our extensive global distribution network, make us a preferred partner to pharmaceutical companies seeking to divest well-established, off-patent branded legacy or niche originator products. We aim to further strengthen those relationships by maintaining our global distribution channels to ensure continued product availability in existing markets.

In addition, our background as a family-owned business with flat hierarchies and fast decision-making processes provides us with a competitive advantage when bidding for products and we intend to leverage this advantage further going forward.

Moreover, we will continue to build on our expertise and track record in marketing authorization transfers across the world to become the clear partner of choice for pharmaceutical companies focused on a global divestment of bundles of products rather than individual products. By strengthening our relationships with the leading global pharmaceutical companies, we believe we will be able to ensure a continuous, strong acquisition pipeline of potential product candidates and further improve our global market position.

Maintain a prudent financial policy based on high cash conversion rates and supported by our shareholders' long-term commitment

We intend to maintain a prudent financial policy based on high cash conversion rates and selective acquisitions and supported by the long-term commitment of our shareholders. We target a ratio of EBITDA after non-recurring items to Net Financial Indebtedness of 3.75x to 4.25x. We believe that our high Cash Conversion Rate, which was 79.8%, 69.2%, 56.2% for the years ended December 31, 2016, 2017 and 2018, respectively, and 76.1% for the nine months ended September 30, 2019, combined with the discretionary nature of our acquisition activities, would allow us to de-lever the Group swiftly, if these leverage ratios would temporarily be exceeded.

Our financial policy is further underpinned by the long-term commitments of our shareholders. Since its acquisition by the Braun family in 2003, the Company has never paid a dividend to its shareholders and we currently do not expect to pay dividends for the foreseeable future. We aim to maintain adequate liquidity at all times through our Revolving Credit Facility and significantly cash generative business model.

Group History

The Company was established in Freiburg, Germany in 1998 by pharma manager Kurt Teubner. The Company's name originates from one of the first products, Cheplaren. In 2003, Cheplapharm was acquired by the Braun family and Sebastian F. Braun became its chief executive officer. At the time of the acquisition, Cheplapharm's revenue amounted to less than €1 million and it had approximately three employees. In the following years, the Company pursued a number of significant acquisitions to achieve growth. During the past 20 years, the Company completed a significant number of acquisitions with well-known pharmaceutical companies acquiring more than 90 products with a cumulative acquisition value of more than €1.8 billion.

By 2010, Cheplapharm had acquired Distraneurin® / Hemenevrin® from AstraZeneca. The Company further diversified its portfolio with the acquisition of Vesanoid® and Rohypnol® from Roche in December 2012. The Company reinforced its European presence by acquiring products such as Deursil® / Ursolvan® and well established OTC products from Sanofi. In the beginning of 2016, the Company acquired Anexate® from Roche followed by acquisitions of Xenical® and Dilatrend® in 2016/17. In the beginning of 2018, the Company acquired Cymevene® (an antiviral agent) and Konakion® (a product for haemorrhagic conditions) from Roche and Visudyne® (wet age-related macular degeneration) from Novartis. Also in 2018, the Company acquired Questran® (a cholesterol reducer) from Bristol-Myers Squibb, Atacand® (for high blood pressure) from AstraZeneca, the acquisition of several products from Bristol-Myers Squibb,

including Vepesid® (cancer treatment), Etopotophos® (cancer treatment) and Fungizone® (antifungal/ supportive oncology) and the acquisition of Dormicum® and Lexotan® from F. Hoffmann-La Roche. In 2019, the Company acquired Losec® (for gastroesophageal reflux disease and other diseases caused by an excess production of stomach acid) from AstraZeneca, a portfolio of several products, including in the therapeutic areas of oncology and incontinence from Sanofi, Seroquel® (for various mental disorders) from AstraZeneca and a portfolio of ten products in the therapeutic areas of cardiology and intensive care from Sanofi. See "*Summary—Recent Development—Recent Acquisitions and Related Financing Transactions*".

Our Business Model

We focus on well established, off-patent niche and legacy branded originator pharmaceutical products which we acquire from large pharmaceutical companies and integrate into our outsourced manufacturing supply chain and distribution network. We achieve this by acquiring products which are toward the end of their life cycle (generally several years post patent expiry) and typically have a stable or slightly declining revenue profile. Since we were established in 1998, we have developed a successful business model based on a combination of in-housing and outsourcing functions, streamlined logistics and a "branded" strategy. As a result, as of September 30, 2019, we had only approximately 300 employees, resulting in a revenue of more than €1.5 million per employee for the twelve months ended September 30. 2019. We employ a diverse network of selected external manufacturers and API suppliers such as Cenexi, Aenova Group or Delpharm who are primarily located in Europe and with whom we often have long-standing relationships and long-term contracts.

Our products are distributed in more than 120 countries globally. Except in Germany, Austria and France, where we maintain our own distribution capabilities, the distribution of our products is outsourced to our extensive network of global distribution partners. In certain cases, we also assume the distribution agreement with the incumbent distributor upon acquiring a product. We generally enter into long-term distribution agreements with fixed prices and, in certain cases, guaranteed minimum volumes with our third-party distributors.

Due to our focus on off-patent products which are towards the end of their lifecycle, product marketing and the associated costs play a smaller role compared to pharmaceutical companies which develop and introduce new products. Our products typically benefit from a loyal customer base of physicians and patients, which has often used or prescribed the product for many years and is therefore less likely to switch to a different product. This effect is further emphasized by the strength of the brands of our products. Finally, competition for our products is often limited and the risk of competitors entering the market relatively low. This is because our products have typically been off-patent for several years and competition from generic products has settled at the time we acquire the products driven by non-compelling economics for new market entrants.

In addition to outsourcing the production and distribution of our products, we typically create value via cost reductions and other value enhancement programs. This includes lowering overhead costs and complexity associated with our products by integrating them into our lean platform, for example by introducing a central management of all marketing authorizations for a specific product.

For example, we have successfully integrated two of our largest products, Xenical® and Dilatrend®, which we acquired from Roche in 2016 and 2017, respectively, while at the same time increasing the gross margin of these products. Roche divested both products because they did no longer strategically fit its portfolio due the relatively low sales volume per country and to reduce complexity in its product portfolio. Following completion of the acquisitions, we reduced production costs by negotiating lower packaging costs with the incumbent CMO. We are also in the process of transferring the API supply for Xenical® to a new supplier, which we expect will result in annual cost savings of approximately €5 million beginning in 2022. At the same time, we realized new revenue potential by integrating the product into our existing distribution network, through targeted marketing activities of our distributors and introducing tender management.

In certain cases, we may also realize additional revenue by moderately increasing prices for our newly acquired products after consultation with relevant stakeholders such as health insurers and local regulatory authorities. For example, following our acquisition of Konakion® in 2018, we successfully negotiated a price increase with the Spanish health authorities in order to bring pricing in the Spanish market in line with other European markets.

From time to time, we may also exit certain geographical markets where a product is loss-making and we do not see an opportunity to improve the profitability. However, if we exit a geographic market, we ensure that patients can be supplied through our distribution parties in other countries. In addition, we may also seek to increase revenue by introducing a product to new markets through our existing distribution partners.

Acquisition Strategy

We have a tested, disciplined approach to product acquisitions which have been largely unchanged for the last 15 years: We pursue product acquisitions to identify products with predictable revenues, limited risk, low competition and an established track record. We have established the following key criteria for product acquisitions:

- **Valuation:** Less than 3.5 times annual sales;
- **Remaining economic life:** Products which we do not believe will be replaced and will remain economically viable for more than ten years;
- **Return on Investment:** We target an EBITDA margin of more than 50% with the aim to recover our investment within between four to five and a half years (on an EBITDA basis and without taking into account potential improvements from complexity and cost reduction or other key value levers) (see "*—Product Portfolio—Primary Therapeutic Areas*" and "*—Recent Product Acquisitions*);
- **Presence of the pull effect:** Brands that are well established in the market and have a high degree of loyalty or familiarity with the end user, thereby requiring limited or no marketing efforts which are necessary for 'push' products;
- **Market position:** The product should have either a 'niche' position providing opportunity for growth or otherwise be available at extremely attractive prices such as legacy products;
- **Production:** Should be ensured in the long-term; and
- **Balanced product portfolio:** Maintaining our diversified product portfolio by limiting the incremental sales contribution from each acquired product to a size which is adequate compared to the revenue of our overall product portfolio at the time .

The covenants of the Senior Facilities Agreement also require us to comply with the valuation and return on investment criteria set out above for product acquisitions above a certain materiality threshold.

Acquisition Process

We are regularly in direct contact with major pharmaceutical companies to identify potential acquisition opportunities. We also use specialized M&A pharma consultants and healthcare investment banking firms to help us source possible acquisition candidates.

If we decide to pursue the acquisition of a product candidate, we enter into a CDA ("**Confidential Disclosure Agreement**") to obtain further information about the opportunity. In this phase, we perform a detailed commercial, competitive and scientific assessment of the product before submitting a Non-Binding Offer ("**NBO**"). Thereafter, we undertake thorough due diligence to validate the initial assessment of the product and its valuation. We employ more than 100 internal specialists that follow a standardized process of diligence. We also validate the historical sales information for a product made available to us by a seller by checking it against independent market data provided by industry consultants and other third-party sources. If required, we engage external due diligence support such as international key opinion leaders or country experts and in many cases we obtain an external validation of the product(s). Based on the outcome of the diligence, a binding offer may be submitted followed by negotiations. The focus of negotiations is typically on the acquisition price and mitigation of due diligence findings. We have a dedicated internal team for negotiations but also hire specialist external healthcare lawyers, if needed.

The complexity of the acquisition and the acquisition agreement are independent of transaction size. We believe that, given our existing relationship and transaction experience with most major pharmaceutical companies, transaction execution and negotiation with us is easier and smoother versus other potential acquirers. In our experience, large pharmaceutical companies have a strong preference for seamless execution and limited transaction risk making, which makes us a preferred acquirer.

As a result of our strict assessment policy, we are generally able to materialize a very low proportion of the opportunities analyzed in the initial phase. We estimate that, for every 80 - 100 contacts about potential acquisition targets we enter into 50 - 60 CDAs of which on 15 - 20 result in a NBO. We undertake further due diligence in respect of eight to twelve of these potential targets and submit binding offers on five to ten of them. Historically, this process has resulted in us making approximately five acquisitions (thereof some for multiple products as part of a package transaction) annually on average over the period from 2016 to 2019.

During the year ended December 31, 2018, we agreed to acquire nine new products, of which three were purchased through a package transaction from Bristol-Myers Squibb and agreed to acquired 14 further products in the year ended December 31, 2019 through four standalone and package transactions with AstraZeneca and Sanofi. With the exception of the Sake Portfolio, for which closing is pending, these products are currently in the process being integrated into our business. See also "*Summary—Recent Developments—Recent Acquisitions and Related Financing Transactions*".

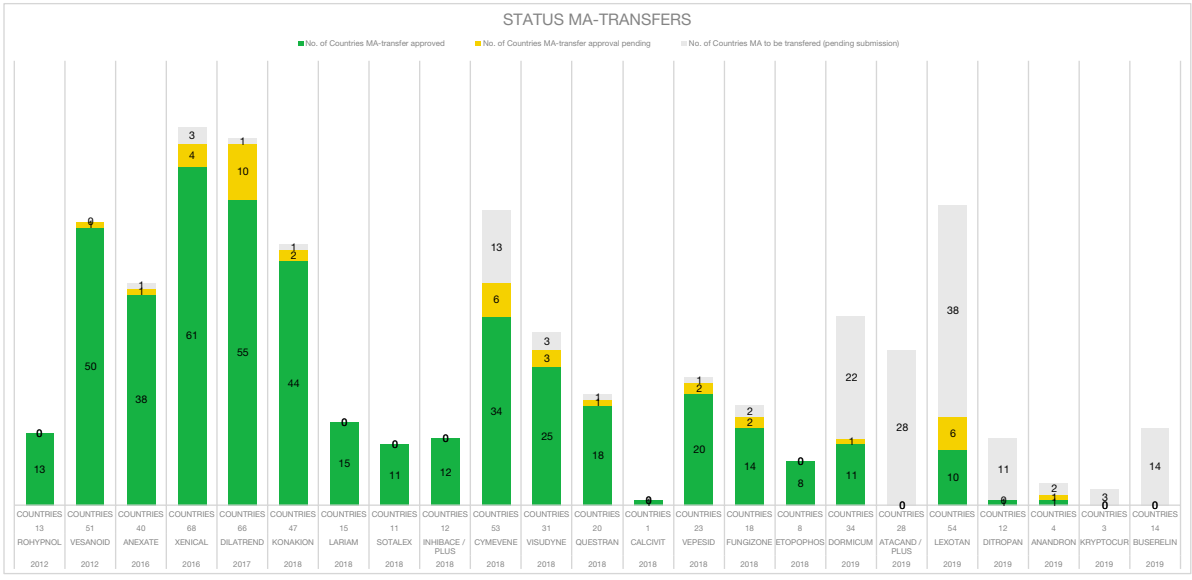
Integration of Acquired Products

The integration of new products is facilitated by our scalable business model, given the outsourced production and distribution processes. The scale and length of the integration process is primarily driven by the number of country registrations to be processed and not the sales volume for a specific product. Generally, we sign Transitional Service Agreements ("**TSA**") with sellers as obtaining transfer approval in different jurisdictions is a time consuming process and for regulatory reasons we cannot start selling a product in our own name until this process has been completed. Under the TSA, the seller continues to operate and manage the manufacturing as well as the distribution of the relevant products in its own name but on our account until the marketing authorization transfer ("**MAT**") is complete. The TSA enables us to realize the results of newly acquired products immediately after the closing of the transaction while also ensuring uninterrupted supply to the customers. During the TSA phase, the seller typically continues to manufacture and distribute the product for our account and transfers to us, on a monthly or quarterly basis, revenue from further product sales (net of materials and, depending on the seller, distribution expenses, discounts, rebates and other allowances) in exchange for a service fee of approximately 5-9% of net sales. In addition, the TSA typically contains mutual cooperation obligations with respect to the completion of the MAT as well as an obligation on the seller to supply us with stock for a period of up to five years after signing of the TSA. For the twelve months ended September 30, 2019, we generated approximately 43% of our sales from TSA related sales.

Apart from agreeing on a TSA, the most important integration steps are the agreement on a submission strategy for the transfer of all relevant marketing authorizations and a business transfer plan within one to three months after closing of a product acquisition. The business transfer plan sets forth specific action items, responsibilities and deadlines for the transfer of the relevant marketing authorizations in each country. We typically assign different priorities for the transfer of marketing authorizations in different jurisdictions, thereby focusing on the transfer of the most relevant marketing authorizations first.

Another important part of the integration process is agreeing the 'bridging stock', in which we define the amount of stock that the seller must maintain at a minimum to avoid stock-outs during the process of transferring the marketing authorization to us and transitioning the manufacture of a product from the seller to the CMO selected by us. Depending on the contractual terms agreed with the seller, the required bridging stock is either defined for each local market and stored at the seller's local subsidiary or an overall bridging stock for all relevant jurisdictions is defined. This process typically requires three to six months after closing, depending on the agreed clustering timelines. During the same time period, partner negotiations with potential CMOs and distributors typically require up to three months after closing.

The period of time required for the MAT mainly depends on the jurisdiction. In certain European countries, such as Germany or Austria, the process typically takes up to three months. In other developed markets, the MAT typically takes up to one year and it can take up to three or more years in developing countries. In particular, the regulatory authorities of certain jurisdictions require us to complete the MAT in certain other markets, such as the European Union, prior to accepting an application for a MAT in their jurisdiction.



Status as of December 2019.

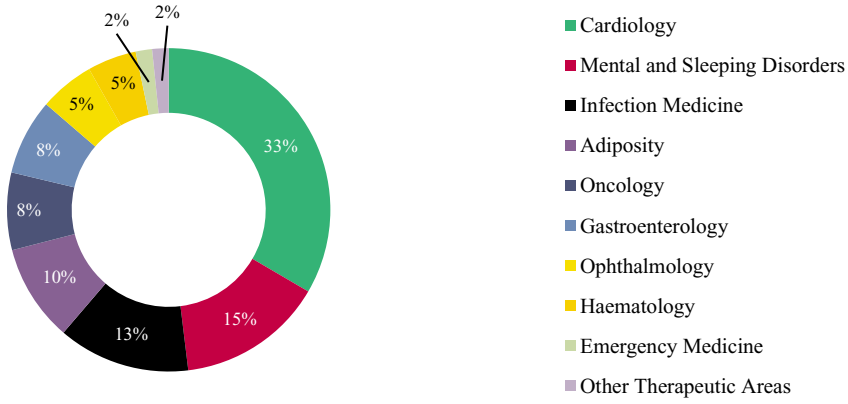
Typically the acquired product is available in the Cheplapharm layout in about four to six months after MAT.

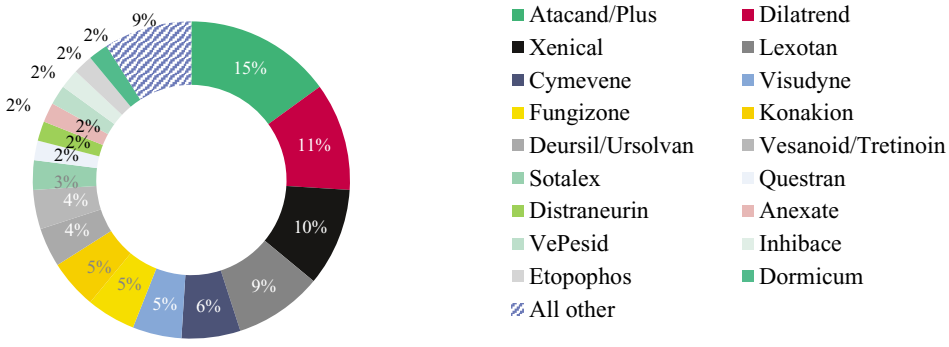
Following completion of the MAT in all relevant jurisdictions, we purchase the remaining bridging stock from the seller at a pre-agreed price and commence distributing the products in our own name. At the same time, we transfer the production of the products to our CMOs.

Product Portfolio

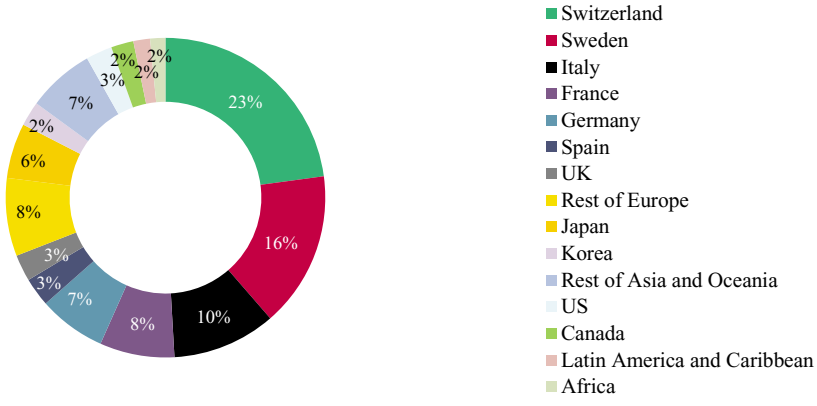
We offer a diversified product portfolio covering a range of therapeutic areas and indications, with a focus on selected pharmaceutical brands and niche products. We marketed more than 80 products with more than 1,100 SKUs under approximately 619 marketing authorizations as of September 30, 2019. None of our products is classified as an opioid.

The breadth of our product portfolio helps to limit our dependence on the success of any individual therapeutic area or product. In the nine months ended September 30, 2019, sales of our top two products, accounted for 15% and 11% of our total sales, respectively. In the same period, our top five products collectively accounted for 51% of our total sales and our top ten products collectively accounted for 74% of our total sales. The following graphics show our sales by therapeutic area and revenue by product for the nine months ended September 30, 2019:





Our geographic diversity limits the exposure to price reductions for individual products in a specific market. We have a broad geographical footprint, with the majority of our sales being generated in Europe, followed by Asia. Sales are well diversified within Europe and Asia.



We estimate that our primary customer groups are physicians, hospitals and patients paying for their products 'out-of-pocket'. We further estimate that approximately one-third of our revenue is not directly linked to reimbursement regulations but rather paid out-of-pocket by the patient and approximately 50% our revenues are from products with no or limited competition.

We also distinguish between "niche" and "legacy" products within our portfolio. We define niche products as products that serve a relatively small market and are therefore less likely to be replaced by new products or treatment guidelines. "Niche" products are often recommended first line treatments for a specific indication and are characterized by stable or slightly growing sales. Due to the small size of the addressable market, niche products typically face no or only very limited competition. "Legacy" products are characterized by a larger addressable market and typically benefit from an established brand that underpins customer loyalty. Due to the larger size of the addressable market, our 'legacy' products are typically subject to more competition (i.e., one or two products which are approved for the same indication) and have stable or slowly decreasing revenues. All of our products have been on the market for an extended period of time, with the oldest product being marketed for more than 100 years.

Our product portfolio spans all major product forms, including tablets, capsules, injectables, liquids, patches, dry powders and liquids. We offer a wide spectrum of packaging sizes and various dosages and delivery forms, including both immediate and sustained release delivery.

Primary therapeutic areas

Our product portfolio is well-diversified across a range therapeutic areas. The primary therapeutic areas (and indications) of our product portfolio are: cardiology (cardiovascular diseases), obesity (adiposity), infection medicine, gastroenterology (hepatobiliary disorders), ophthalmology (retinal vascular disorder), oncology (malignant diseases), haematology (vitamin K deficiency bleeding), addiction medicine (alcohol withdrawal), emergency medicine (antidote) and sleeping disorders (insomnia).

Overview of selected products															
	Atacand®	Xenical®	Dilatrend®	Cymevene®	Visudyne®	Fungizone®	Konakion®	Questran®	Etopophos®	Vepesid®	Sotalex®	Lexotan®	Dormicum®	Losec®	Seroquel®
Therapeutic Area	Cardiology	Adiposity	Cardiology	Virology	Ophthalmology	Infection medicine	Haematology	Cardiology	Oncology	Oncology	Cardiology	Mental and Sleeping disorders	Diagnostics	Gastroenterology	Mental disorders
Indication	High blood pressure	Obesity	Heart failure, hypertension, stable angina pectoris	Treatment and prophylaxis of cytomegalovirus (CMV) disease	Retinal disease: age-related macular degeneration (AMD)	Antifungal / Supportive Oncology	Haemorrhage; Vit K Deficiency Bleeding in newborn	Cholesterol reducer	Tumors and leukemia	Tumors and leukemia	Entricular and supraventricular arrhythmias in adults	Anxiety, tension and other somatic or psychiatric conditions	Sedation before or during diagnostics or therapeutic procedures	Gastrointestinal reflux conditions and ulcers	Schizophrenia and bipolar disorder, major depressive disorder, generalized anxiety disorder
Sales (nine months ended September 30, 2019) (in € million)	€51.7	€32.9	€36.1	€20.0	€18.3	€16.6	€16.7	€8.1	€7.3	€6.5	€9.9	€31.3	€6.6	N/A	N/A
Market share[1]	20%	33%	40%	73%	100%	74%	90%	69%	100%	97%	42%	56%	18%	7%	34%
Type	Legacy	Legacy	Legacy	Niche	Niche	Niche	Niche	Legacy	Niche	Niche[9]	Legacy	Legacy	Niche[10]	Legacy	Legacy
Patent Expiry	2012[2]	2009	1999	2002	2009[3]	2003	2008[3]	Never patented	2009	1996	N/A	2013	1999	2003	2012 (Europe) 2017 (USA & Canada)
Acquired from	AstraZeneca	Roche	Roche	Roche	Novartis	Bristol-Myers Squibb	Roche	Bristol-Myers Squibb	Bristol-Myers Squibb	Bristol-Myers Squibb	Bristol-Myers Squibb	Roche	Roche	AstraZeneca	AstraZeneca
Acquired in	2018	2016	2017	2018	2018	2018	2018	2018	2018	2018	2018	2019	2019	2019	2019
Key Competitors	TEVA, STADA, KRKA Alvogen	GSK, Novartis	Carvedilol, Nocartis, TEVA	Hexal, Fresenius	N/A	N/A	N/A	Ratiopharm, Hexal	N/A	N/A	Novartis, TEVA	STADA, KRKA, Alvogen	Jiangsu Nhwa, Takeda, Intas, Pfizer	Novartis, TEVA, Tueto Brasileiro, Mylan	TEVA, Novartis, Intas, Lupin Labs
Purchase Price (in € million)	€179.5	€175.0	€123.0	€53.2	€80.0	€63.2	€60.0 (price of entire Roche package)	€7.3	€6.8	€19.7	€21.0	€200	€23.5	€222.6	€193.6
Sales Multiple[5]	~2.7x	~2.3x	~1.7x	~1.7x	~2.8x	~2.4x	~1.8x (for entire Roche package)	~0.7x	~1.1x	~2.6x	~2.9x	~3.1x	~1.0x	~2.7x	~1.9x (for Europe) ~1.1x (for USA/Canada)
EBITDA Multiple[6]	~5.2x	~4.3x	~3.8x	~4.8x	~4.8x	~5.2x	~5.5x (for entire Roche package)	~5.2x	~3.4x	~5.3x	~4.4x	~5.4x	~5.0x	~4.8x	~5.3x (for Europe) ~3.7x (for USA/Canada)
LTM product EBITDA contribution (in € million)[7]	€40.6	€28.4	€32.8	€11.6	€21.5	€12.7	€13.7 (for entire Roche Package)	€1.7	€1.4	€4.6	€9.8	€37.9	€7.1	N/A	N/A
Total Market IMS Sales (2018) (in € million)	€248	€170[11]	€311	€46[12]	€27	€31[13]	€18	€18	€10	€6[14]	€21	€125	€134	€1,090	€658
IMS Sales CAGR (2015-2018)[8]	(5.4)%	(14.7)%	(15.7)%	(1.9)%	1.4%	0.5%	(5.3)% (for entire Roche Package)	2.3%	4.3%	(3.7)%	(4.0)%	(2.8)%	(0.1)%	(8.0)%	(28.0)% (Europe and Russia) (55.9)% (U.S. and Canada)

(1) According to IMS data for the year 2018 and based on local ex-factory product price and API-comparison. Does not refer to global market but to the total territory in which we market the respective product. We are not present in all markets for our products. For Anexate® and Dilatrend®, data includes sales of our license partners.

(2) The market for Atacand® settled quite quickly after the patent expired with generic competition taking over a large share of the market. We felt comfortable with the sales development of Atacand® to deviate from the general 10 year rule.

(3) Estimate is based on assumption introduction plus 10 years.

(4) According to new formulation in 1998, patent expiration could be in 2008 (exact information is not available).

(5) Reflects management's estimates of sales in the first year after acquisition.

(6) Reflects management's estimates based on available information at the time of acquisition and in line with the Company's investment criteria, including its expected return on investment period, and excluding optimization effects.

(7) Reflects the contribution to EBITDA for each product for the twelve months ended September 30, 2019. Annualized for Lexotan® (actual EBITDA contribution €28.4 million) and Dormicum® (actual EBITDA contribution €5.3 million) as these products were acquired in January 2019.

(8) Represents the average sales growth/decline in our markets between 2015 and 2018 according to IMS.

(9) For capsules only.

(10) Niche refers to tablets market only.

(11) Total market size excluding Venezuela as Xenical® was deregistered in Venezuela.

(12) Excluding China and United States.

(13) Represents market share of Fungizone® with API Amphotericin B, related to product presentation and indication.

(14) Excluding Japan. Vepesid® generates 100% market share for oral formulations (caps). The explanation for the deviation with the market share shown of 96.5% is that IMS data also consider re-imports.

Recent product acquisitions

In October 2019, we agreed to acquire a portfolio of four products (the "**Gold Portfolio**"), including in the therapeutic areas of oncology and incontinence, from Sanofi for an aggregate purchase price of €66.5 million (approximately 5.5x EBITDA multiple estimated at acquisition). The acquisition includes marketing authorizations in certain European countries, Argentina, Canada, Japan and South Africa. Closing of the acquisition occurred on October 30, 2019 and we are in the process of integrating the new products into our product portfolio. The acquisition of the product portfolio from Sanofi was financed from cash-in-hand as well as a drawdown under the Revolving Credit Facility.

In October and November 2019, respectively, we entered into two agreements to acquire Seroquel®, a product used to treat various mental disorders, from AstraZeneca for an aggregate purchase price of USD 213 million (approximately 5.3x EBITDA multiple estimated at acquisition for Europe and Russia and approximately 3.7x estimated EBITDA multiple of acquisition for the United States and Canada) plus sales-contingent payments of up to USD 67 million until 2026. The acquisitions include marketing authorizations for Seroquel® in the United States, Europe, Canada and Russia. Closing of the acquisitions occurred in December 2019. However, AstraZeneca has agreed to fully service Seroquel® for three years following closing. Transfer of the relevant marketing authorizations and the integration of Seroquel® into our manufacturing and distribution network is therefore not expected to commence prior to three years after closing. The acquisition of Seroquel® was financed from cash-in-hand as well as a drawdown under the USD 124 million Bridge Facility entered into in November 2019.

In November 2019, we agreed to acquire a portfolio of ten products (the "**Sake Portfolio**") in the therapeutic areas of cardiology and intensive care from Sanofi for a provisional purchase price of €102 million (approximately 5.3x EBITDA multiple estimated at acquisition) (the "**Sake Acquisition**"). The provisional purchase price is subject to down-ward or up-ward adjustment depending on the development of net sales between signing and closing. In addition, we agreed to purchase the existing inventory from Sanofi at closing. Closing of the Sake Acquisition is subject to, among other things, receipt of merger clearance, and is currently expected to occur in the first half of 2020. We intend to finance the Sake Acquisition from the proceeds of the offering of the Notes and cash on hand. See also "*Use of Proceeds*". According to IMS, the products comprising the Sake Portfolio generated the total market sales of approximately €119 million in our territory in 2018. According to IMS, the sales of the products comprising the Sake Portfolio declined at a CAGR of 14.8% between 2015 and 2018.

The EBITDA multiples for the recent product acquisitions described above reflect management's estimates of the average based on available information at the time of acquisition and in line with the Company's investment criteria, including its expected return on investment period, and excluding optimization effects.

Manufacturing

We outsource the production of the pharmaceutical products we sell to over 75 external manufacturers, including manufacturers of APIs (as of September 30, 2019). Following acquisition of a new product, we enter into a manufacturing supply and quality agreement ("**MSQA**") with the seller if the product is being manufactured by the seller itself before transferring the production to a third-party CMO. If the seller already utilizes a third-party CMO, we assume the existing contract or enter into a new contract with the CMO in order to ensure a smooth transition without production interruptions. The MSQA sets out the timeline for rolling forecasts and order lead times for planning and supply purposes. Moreover, it defines product specifications, release dates and packaging, among other things. The MSQA also establishes fixed prices and minimum purchase quantities for generally three to five years while also stipulating that quality control of the end product is a shared responsibility of the supplier and us. Our CMOs are primarily located in France, Germany, Italy and other member states of the European Union as well as Switzerland.

The diversity of our CMO network ensures that we are not dependent on any one manufacturer. For the nine months ended September 30, 2019, our top ten products (by EBITDA generation) were sourced from eight different CMOs. During the transitional service agreement period, we perform assessments of other potential CMOs and active pharmaceutical ingredient ("**API**") manufacturers. If there is a possibility to achieve cost reductions without compromising quality, relationships with the new suppliers are established. Thereafter, the new suppliers are registered in order to allow for immediate transfer of production.

We have strong expertise within the specialty-pharma business and maintain relationships with a broad range of API manufacturers, which allows for product optimizations and further cost savings. By analyzing the APIs (status, length of outstanding contracts, possibilities of outsourcing to lower cost production within its existing network), we are frequently able to reduce costs and choose a CMO which is specialized in a certain API or pharmaceutical form. By bundling production at a single site (following a regulatory cross-check), the CMO is potentially able to achieve additional cost savings, which may in turn allow us to negotiate better pricing with the CMO.

Audit and Quality Control

Because we operate in a highly regulated industry and we outsource a number of functions to third parties, it is important that we maintain robust quality control procedures and internal and external auditing systems to not only maintain and ensure legal and regulatory compliance by us and our third-party contractors but also avoid regulatory enforcement and litigation. These functions are managed primarily through our Quality Assurance and Quality Control ("**QA and QC**") teams and Pharmacovigilance and Medical & Scientific Affairs ("**PMSA**") teams.

We typically enter into pharmacovigilance agreements with our local distributors or other qualified local service providers. Under these agreements, our local distributors or other third parties act as point of contact for questions relating to our products from local patients, physicians and other healthcare professionals and monitor the local medical/scientific literature for us. In addition, our local partners are responsible for receiving reports of adverse effects of our products and forwarding them to our PMSA teams. Furthermore, our local partners are responsible for the reporting of adverse effects to local competent authorities.

PMSA team

The PMSA teams provide medical/scientific expertise and an overview of the competitive landscape, alternative therapies, the status of a product in medical practice across products and therapeutic areas during the due diligence phase and is, therefore, a core function of our business. In addition, they cooperate closely with key opinion leaders in the industry, medical guideline associations, health authorities, third-party service providers and our membership in several expert associations allows our PMSA teams to increase our visibility in key industry events.

The PMSA teams cover all relevant medical and compliance processes on a global basis and strives to ensure drug safety compliance with applicable laws and regulations of the numerous countries in which we are active. The primary activities of the PMSA teams include:

- *Contracts and Database Management*: administration and maintenance of our global pharmacovigilance database while also negotiating pharmacovigilance agreements with our local partners and handling safety data exchange agreements;
- *Global ICSR, Risk, Signal Management ("Individual Case Safety Report")*: ICSR processing, reporting and exchange, performing medical assessments and risk management;
- *Global Safety Labelling*: drafting risk management plans, aggregated safety reports and management of safety reference information;
- *Pharmacovigilance Quality Systems*: management of inspections and audits; Individual case safety report reconciliation and compliance;
- *Medical Information Service*: providing product-related information and management of questions and answers (Q&A) and frequently asked questions (FAQ) services to provide medical and scientific support for marketing and promotion;
- *Global Literature Monitoring*: routine global screening of scientific and medical databases, administers internal literature and study database;

- *Pharmacovigilance Project and Interface Management*: conducting due diligence with regards to pharmacovigilance and safety and efficacy assessments for potential new products and pharmacovigilance management during the transition phase; and
- *Pharmacovigilance Strategy and Operations*: responsibility for organization of periodic aggregated reports and risk management plans, performing maintenance and registrations related to EMA telematics, management of our pharmacovigilance system master file (a document containing details regarding the pharmacovigilance system for each of our products), and a worldwide overview of country-specific safety-relevant requirements.

We are planning to outsource certain routine PMSA tasks such as the entry of adverse events related to our products into the relevant databases and may increase the volume of outsourced work further in the future.

QA and QC

Our QA and QC department ensures that our products meet the required quality standards. Its three key responsibilities comprise:

- *Quality Projects and Supplier Management*: Evaluates supplier qualification; manages transfer of projects and quality contracts; manages audits at the supplier companies;
- *Quality Systems*: Standard operation procedure management; handling of complaints; organizational training; ensuring quality of products; deviation management; change control management; and
- *Batch Release and Quality Control*: Ensures batch release; monitors stabilities; releasing packaging material and secondary packaging material and certificate management.

The QA and QC department is closely involved in the selection of CMOs and conducts periodic audits, qualifications and controls, including through site visits. It also supports initial technical assessment of CMOs during the selection process. All of our CMOs have the relevant quality certifications such as certifications relating to MIA (Manufacturing and Import Authorization) or GMP (Good Manufacturing Practices). Technical aspects of the production are implemented with the selected CMO through method transfers and validation batches. The selected CMO is also required to enter into a quality assurance agreement with us and is subject to regular assessments in the form of re-audits, quality performance and supply performance measures.

Our QA and QC teams ensure that the products received from CMOs match their respective batch records. Thereafter, they issue a certificate of analysis and a certificate of compliance that allows the products to be released into the market. Furthermore, the teams are involved in various post-release activities to ensure maintenance of product quality and mitigate reputational risk.

Distribution and Marketing

We sell our products in over 120 countries and rely on a large network of distribution partners. Our global network makes us a preferred partner for large pharmaceutical companies because of our execution capabilities and global presence. Our distributors are often pharmaceutical wholesalers who in turn distribute our products to local pharmacies, physicians or hospitals. We typically rely on a single distributor in each country in which we market our products, and in certain cases a single distributor is responsible for several countries. However, in certain countries and/or with respect to certain of our products, we also rely on drugstore or pharmacy chains as distributors. For the nine months ended September 30, 2019, our largest distributor represented 8% of our total sales. For the same period, our ten largest distributors represented 28% of our total sales.

Outside of Germany, France and Austria, we utilize our external distribution network or assume agreements by assignment to market and sell our products. Our distributor partnerships are based on distribution agreements, license agreements and consignment stocks with marketing agreements. These agreements allow us to benefit from fixed prices and, in certain cases, include minimum purchase quantities. Marketing is generally not necessary for products that have well-known brand names, but we may selectively market certain product which we believe have strategic potential. In addition, some of our distributors engage in marketing activities for a number of our products in their respective local markets. A limited number of our distribution agreements also require us to pay marketing allowances to our distribution partners to support their marketing activities.

We regularly monitor and evaluate the performance of our distribution partners. We enjoy strong relationships with our distribution partners, which provide us with local market intelligence, thereby supporting product assessments during the acquisition phase as well as the implementation of pricing and commercialization strategies.

In Germany, France and Austria we distribute our products through our own organization. Our customers are mainly pharmaceutical wholesalers which place orders with our distribution center (in case of German or Austrian customers) or our French subsidiary. Orders in Germany and Austria are fulfilled by our own distribution center, which is located close to Greifswald. In France, we have outsourced the storage and distribution of our products to Eurodep and Movianto, two third-party wholesalers.

Overview key distribution partners

Partner	Market	Sales for the nine months ended September 30, 2019 (in € million)	Key products	Relationship since	Contract duration (years)
ITC Farma Srl.	Italy	€27.2	Streptosil®, Deursil®, Xenical®, Dilatrend®, Questran®, Dormicum® and Lexotan®	2014	Initial term five years, automatic renewal for one year
Own subsidary	France	€25.7	Endotelon®, Polykaraya®, Ursolvan®, Vesanoid®, Anexate®, Xenical®, Dilatrend®, Cymevene®, Visudyne®, Konakion® etc.	2016	N/A
Directly	Germany	€23.2	Endotelon®, Polykaraya®, Ursolvan®, Vesanoid®, Anexate®, Xenical®, Dilatrend®, Cymevene®, Visudyne®, Konakion® etc.	N/A	N/A
DKSH	Selected Asian markets (e.g. Myanmar, Singapore, Thailand, Hong Kong)	€5.7	Vesanoid®, Rohypnol®, Anexate®, Xenical®, Dilatrend®, Cymevene®, Visudyne®, Konakion®, Lariam®	2013	Initial term 3 years, automatic renewals
Chong Kun Dang	Korea	€7.8	Anexate®, Xenical®, Dilatrend®, Cymevene®	2016	Initial term three years, automatic renewals
Avas Pharmaceuticals Srl.	Italy	€7.8	Vesanoid®, Rohypnol®, Sotalex®, Citovirax®, Inhibace®, Fungizone®, Aldactone®, Visudyne®, Vepesid®, Anexate®, Konakion® and Lariam®	2015	Initial term three years, automatic renewals for one year
Laboratorios Rubió S.A.	Spain	€6.2	Dilatrend®, Xenical®, Konakion®, Lariam®, Anexate®, Sotapor®, Visudyne®, Inhibace®, Vepesid®, Dormicum®, Lexotan®	2017	Initial term two years, automatic renewals

Customers

Our products are used by a diverse customer base including consumers, doctors, pharmacies, hospitals, mail-order companies, buying groups, wholesalers and other service providers in the healthcare market, as well as public or private health insurance organizations. The importance of these customer groups varies by country. For example, Germany has a well-established tender scheme in place, such that the key purchase decision is made by the public health insurance system. We estimate that physicians, hospitals and patients paying for their products "out-of-pocket" each represent approximately one third of the customers for our products.

Material Contracts and Authorizations

We are a leading company in commercializing pharmaceutical products. We are not the manufacturer of our products; rather, we outsource the manufacture and distribution of our products to CMOs.

Marketing Authorizations

As of September 30, 2019, we held approximately 619 different marketing authorizations. We are currently awaiting approval of an additional 103 marketing authorizations by the end of 2019, and expect approximately further 340 MATs by the end of 2020. Additionally, planning for the transfer of the Losec® marketing authorizations is ongoing and therefore not included in the information in the immediately preceding sentence.

Transitional Services Agreements

In connection with the purchase of new products, we typically enter into transitional service agreements, with the respective seller. See "*Management's Discussion and Analysis of Financial and Condition and Results of Operations—Factors Affecting our Results of Operations—Transitional Service Agreements*" for a description of the typical rights and obligations under our transitional service agreements.

Contract Manufacturing Agreements

Our products are manufactured by third-parties under contract manufacturing agreements. The manufacturer can either be a CMO or, for a transitional period, the pharmaceutical company from which we have acquired the relevant product (or one of its affiliates). If the seller has already outsourced production, we may also assume the manufacturing agreement with the incumbent CMO.

Our contract manufacturing agreements typically provide that the product must be manufactured in accordance with GMP and certain other technical and regulatory requirements specified in the relevant agreement. In some cases the manufacturer is responsible for the supply of the API whereas in other cases we procure the API supply to the manufacturer under separate agreements with an API supplier. While our manufacturing agreements usually do not provide for minimum order requirements, we are required to provide non-binding rolling forecasts to the manufacturer and in certain cases have agreed to compensate the manufacturer for frustrated costs if our actual orders fall below the forecast order by more than an agreed upon percentage.

The manufacturing contracts usually are long-term contracts with the duration of five and more years, renewable by one year. Prices may be fixed for the term of the contract (subject to certain exceptions) or be subject to fixed or variable periodic adjustments based on factors such as the manufacturer's input costs.

Employees

The number of our employees has increased significantly in recent years from 117 full-time equivalent employees as of December 31, 2016 to 160 full-time equivalent employees as of December 31, 2017 and 251 full-time equivalent employees as of December 31, 2018. As of September 30, 2019, we had 304 full-time equivalent employees, with over 60% employed in the regulatory, pharmacovigilance and quality departments. As of the same date, approximately 54% of our employees held an academic degree. The following table sets forth our the number of our full-time equivalent employees as of September 30, 2019:

	September 30, 2019
Regulatory / CMC	89
Pharmacovigilance / Medical Sciences	59
Quality	43
Supply Chain	23
Sales / Export	23
Information Technology	11
Finance / Controlling	11
Other	45
Total	**304**

We believe that our relationships with our employees are generally good. We have not suffered any work stoppages or strikes in recent years. In order to support our growth plans and to meet our expected demand for additional labor in the future, we are actively branding our business as an attractive employer. In particular, we actively target postdoctoral researchers from the local University of Greifswald and introduce them to the working opportunities at the Group.

While we are not currently subject to mandatory bargaining agreements (*Tarifverträge*) and collective bargaining agreements with unions representing our employees in Germany, this may be subject to change in the future. Our employees are also currently not represented by a works council (*Betriebsrat*) or other representative bodies for employees. As German law prohibits asking employees whether they are members of unions, we do not know how many of our employees are unionized. In general, our employees in Germany fall within the scope of the German Dismissal Protection Act (*Kündigungsschutzgesetz*), which limits our ability to terminate individual employment relationships unilaterally. We also comply with the German Anti-Discrimination Act (*Allgemeines Gleichbehandlungsgesetz*) and comparable legislation in other countries in which we operate.

Intellectual Property

Given that our product portfolio consists of branded legacy and niche originator products, the maintenance and management of our trademarks is important to our business. In each market where material sales of any of our major products are made, we register, or maintain registration of, a trademark. In addition, we continuously register trademarks in respect of new products and renew the trademarks that are about to expire.

As of November 2019, we owned more than 850 trademarks or trade names related to our business and our products. Our principal trademarks include: Atacand®, Dilatrend®, Vesanoid® and Xenical®. Furthermore, we own numerous domain names. We principally use the domain name www.cheplapharm.com, which is owned by the Company. We also frequently own domain names which are associated with our products in the countries in which we distribute the relevant product

Given our focus on "off-patent" products, patents are not material to our business and we do not depend on patents. We are however the registered owner of a limited number of patents mainly related to Xenical® and Dilatrend® which we do not commercialize.

Property, Plant and Equipment

We own several land plots adjacent to our headquarters in Greifswald. We are currently in the process of building an extension of our current headquarters which we expect to be completed during the first quarter of 2020. In addition, we are currently negotiating a general contractor agreement for a further extension of our headquarters on another plot of land adjacent to our current headquarters. We also own a distribution center located in Riems, Germany as well as the site of our former headquarters in Mesekenhagen, Germany.

We have entered into lease agreements, relating to our current headquarters, office space and administrative functions in Greifswald. We do not own any material equipment.

Information Technology

We rely on a number of IT systems to support our business operations. We have implemented application-specific measures, such as stable and redundantly-designed IT systems, backup processes, virus and access protection and encryption systems as well as standardized IT infrastructure and applications. We regularly test and update our IT systems, and employees receive regular training on information and data protection. In addition, a business recovery plan is in place that sets forth the procedures to follow in case of an extended outage of IT services in order to restore services to the widest extent possible in a minimum timeframe.

In recent years, we have implemented a new SAP-based procurement systems (in 2017) as well as new software to comply with new regulations relating to traceability and tamper proofing pharmaceutical products (in 2018). In addition, we are planning an upgrade to our SAP-based procurement system and currently in the process of selecting a service provider for a new pharmacovigilance database in order to be able to better handle the increased caseload resulting from our recent growth.

Environmental Matters

We are subject to certain local, national and regional laws and other requirements relating to the protection of the environment and the safety and health of personnel and the public. If we do not comply with environmental requirements that apply to our operations, regulatory agencies could seek to impose civil, administrative and/or criminal liabilities, as well as seek to curtail our operations. Under certain circumstances, private parties could also seek to impose civil fines or penalties for violations of environmental laws or recover monetary damages, including those relating to property damage or personal injury.

We believe we are in material compliance with applicable environmental, health and safety requirements. We are not aware of any environmental liabilities that we would expect to have a material adverse effect on our business. We are committed to optimizing procedures and processes to conserve resources and minimize our impact on the environment. Furthermore, as a result of our business model, by which we outsource production of our products, we believe we do not present any significant emissions risks.

Insurance

We maintain insurance policies for product and general liability, business interruption, third party liability, directors' and officers' and other insurance with coverage which we consider to be consistent with industry practice. We consider our insurance coverage to be adequate both as to the nature of the risks covered and amounts insured for our business activities. However, our insurance coverage does not cover all potential risks associated with our business or for which we may otherwise be liable. Consequently, we cannot guarantee that we will not suffer a loss or losses which are not covered by our insurance policies or which may be in excess of the amount of the insurance coverage we maintain.

Legal Proceedings

We are party to various legal proceedings arising in the ordinary course of business. We are not currently involved in any legal proceedings, nor are we aware of any threatened claims against us, which we expect to have a material adverse effect on our financial position and results of operations.

REGULATION

*Our business is subject to significant governmental regulation and supervised by a number of local and international regulatory authorities such as the U.S. Food and Drug Administration and the European Medicines Agency. Relevant regulations are typically of a national scope; an international harmonization of regulatory guidelines has not been established yet. Within the EU, however, a considerable degree of regulatory harmonization exists in a number of areas relevant to our operations. In some instances, the EU has created a common regulatory framework that applies in all EU member states as well as some EEA member states ("**Member States**"), and that sometimes allows Member States to adopt more detailed and more stringent regulations.*

The following provides a brief description of the main regulations that govern the activities carried out by us in the EU. Although the following contains the principal information concerning such regulations that are considered material by us in the context of the issue of the Notes, it is not an exhaustive account of all applicable laws and regulations. References and discussions to laws, treaties, regulations and other administrative and regulatory documents are entirely qualified by the full text of such laws, treaties, regulations and other administrative and regulatory documents themselves. Prospective investors and/or their advisers should make their own full analysis of the legislation and regulations which apply in the countries where we operate and of the impact they may have on an investment in the Notes and should not rely on the content of the following paragraphs only.

Overview

The pharmaceutical industry is extensively regulated by EU and national authorities to ensure that medicinal products (also referred to as pharmaceutical products, pharmaceuticals, drug products or drugs) are effective and safe for use. Various regulatory provisions establish high standards for the content, quality, distribution and promotion of our products, as well as for routine business matters, such as working conditions, all of which influence our cost of goods sold, as well as our personnel and general and administrative expenses. Our current product range comprises patent-free prescription-only and over-the-counter products for various areas such as cardiology, adiposity, infection medicine, and gastroenterology. Our business comprises *inter alia* the following regulated activities: medicinal product authorization, procurement of contract manufacturing, procurement of wholesale distribution and supply, pharmacovigilance, and procurement of product promotion. Each of these activities is subject to strict legislative frameworks at both the EU and national level. We are not involved in the research and development of medicinal products.

The sections below summarize the material licenses and regulatory aspects of the medicinal product regulatory regimes which are applicable to our business. The violation of any such regimes could result in: (i) the suspension or revocation of licenses or registrations; (ii) the limitation, suspension or termination of business activities; and/or (iii) the imposition of civil, administrative and criminal penalties, including fines.

The primary emphasis of pharmaceutical regulations is to assure the safety and effectiveness of medicinal products. Accordingly, in conducting our business, we are required to comply with various laws and regulations, including rules implemented by regulatory agencies and by other national or supra-national regulatory authorities as well as industry standards. These regulations contain provisions on the testing, safety, efficacy, labeling (including warnings), approval, manufacturing, promotion, marketing and post-marketing surveillance of medicinal products. Notable competent authorities implementing these regulations include the European Medicines Agency.

Marketing Authorizations

The EU regulatory framework applicable to medicinal products is largely set out in Directive 2001/83/EC, as amended and supplemented, and enacted into the respective national laws of the Member States. Subject to certain narrow exemptions, Directive 2001/83/EC requires that all medicinal products must obtain a marketing authorization before they can be lawfully placed on the market in the EU. Although we do not apply for marketing authorizations for new medicinal products but only acquire marketing authorizations from large pharmaceutical companies, we are still required to ensure that the acquired marketing authorizations have been lawfully obtained and remain in force.

There are three main procedures for applying for a marketing authorization: (i) the Centralized Procedure (operated by the European Medicines Agency and the European Commission under EC Regulation 726/2004), (ii) the Mutual Recognition Procedure and (iii) the Decentralized Procedure, with

both (ii) and (iii) operated by the Member State's national authorities under the rules set out in Directive 2001/83/EC. It is also possible to obtain a purely national, standalone authorization for products intended for marketing in a single Member State only.

Under all the authorization procedures, the applicant must submit a dossier containing, among other items, data demonstrating the safety, quality and efficacy of the medicinal product. For generic and (under certain circumstances) hybrid medicinal products there are reduced data submission requirements (no preclinical or clinical study results are required though bioequivalence must be substantiated, usually via appropriate bioavailability studies). For similar biological medicinal products (biosimilars) some preclinical and/or clinical studies performed for the original reference product may not need to be reproduced as a biosimilar application is based on a comparison of the biosimilar and its reference medicine to show there are no significant differences between them. Besides, when an active ingredient of a medicinal product has been used for more than ten years and its efficacy and safety have been well established, it is possible to base the application for a marketing authorization on scientific literature. Furthermore, if an informed consent has been obtained from a marketing authorization holder of a reference product and the applicant has permanent access to the pharmaceutical, pre-clinical and clinical data, the data submission requirements for the applicant are also reduced.

At the time of the grant of a marketing authorization for a medicinal product, the competent authority must specify the classification of the product as either prescription-only or not. National laws may provide for certain sub-categories. It is open to the marketing authorization holder to subsequently apply for an amendment of this classification, subject to filing relevant supporting additional data.

The Centralized Procedure

Under the Centralized Procedure, applications must be made to the European Medicines Agency for an authorization granted in the form of a single, binding European Commission decision to grant a Community marketing authorization which is simultaneously valid in each of the Member States. The Centralized Procedure is mandatory for, *inter alia*, biotechnology products, for advanced therapy medicinal products for new active substances to treat cancer, neurodegenerative disorders, diabetes, AIDS, autoimmune diseases or other immune dysfunctions and viral diseases and for products designated as orphan medicinal products. It is optionally available for other new chemical entities or innovative medicinal products, or in the interest of public health. It is optionally available for other new chemical entities or innovative medicinal products, or in the interest of public health, which may also include applications for Community marketing authorizations for nonprescription and generic medicinal products of nationally authorized reference products. For generic marketing authorization applications of Community-authorized reference medicinal products (that have been authorized under the Centralized Procedure) there is automatic access to the Centralized Procedure.

The Mutual Recognition Procedure and the Decentralized Procedure

The Mutual Recognition Procedure and the Decentralized Procedure each aim at facilitating access to the EEA single market. Thus, a marketing authorization or an assessment in one Member State (the reference Member State) should, in principle, be recognized by the competent authorities of the other Member States (the concerned Member States). Under the Mutual Recognition Procedure, a marketing authorization granted in one Member State can be recognized in other Member States whereas under the Decentralized Procedure, a medicinal product that has not yet been authorized in the EU can be simultaneously authorized in several Member States unless there are grounds for believing that the authorization of the medicinal product concerned may present a potential serious risk to public health. Under each procedure, if the application is successful, the concerned Member States grant a national marketing authorization for the medicinal product.

Non-EU Procedures

Outside the EU, the requirements as well as the procedures for placing medicinal products on the market are regulated on a national basis and therefore differ greatly. The issuance of a product license, however, it determined to be pivotal by the World Health Organization to any system of drug control. Thus, in most countries, the license establishes the detailed composition and formulation of the product, the pharmacopoeial or other officially recognized specifications of its ingredients, its clinical interchangeability, and its packaging, shelf-life and labelling.

Manufacturing and Contract Manufacturing

Directive 2001/83/EC, as amended and transposed into national law, applies substantial requirements to the manufacturing of medicinal products, which are required to be manufactured in accordance with the rules of Good Manufacturing Practice ("**GMP**") set out in Commission Directive 2003/94/EC. Although we do not consider ourselves a manufacturer of medicinal products, but rather a batch release site, because we outsource all manufacturing of our products to third parties, the EU definition of manufacturing activity includes the import, total or partial manufacture, including the processes of dividing up, packaging and presenting of medicinal products. There are also prescriptive requirements relating to the content and design of the packaging and labelling of medicinal products, which stipulate the information that must be stated on the product label, packaging and patient information leaflet. We as marketing authorization holder must ensure that our third-party manufacturers comply with such requirements. In particular, as a batch release site, controls are necessary to ensure that the batches have been manufactured and checked in accordance with the requirements of the marketing authorization and GMP and any other relevant legal requirements.

Manufacturers must ensure that all manufacturing operations for medicinal products subject to a marketing authorization are carried out in accordance with the information provided in the application for marketing authorization as accepted by the competent authorities. Any manufacturing operation or linked operation, which is carried out under contract for the manufacturer, must be the subject of a written contract between the manufacturer and the subcontractor which defines and allocates responsibilities of each party and which defines, in particular, the observance of GMP to be followed by each party. Manufacturers must monitor and review the subcontractor's performance.

If manufacturing activity is undertaken within the EEA, a manufacturing authorization from the relevant Member State is required which is valid for the category of products concerned and which covers the type of manufacturing activity undertaken (e.g. import or packaging etc.). The holder of a manufacturing authorization is obliged to comply with the principles and guidelines of GMP for medicinal products and to use as starting materials only active substances (active ingredients), which have been manufactured in accordance with GMP for active substances. Excipients (inactive substances) for use in medicinal products must also be produced in accordance with appropriate GMP to be determined following a formal risk assessment. As a matter of GMP compliance, manufacturers must verify via site audits that suppliers and distributors of active substances are each complying with GMP and EU good distribution practice ("**GDP**") principles. Manufacturers are subject to regular inspections by competent authorities to assess their compliance with GMP. Manufacturers must also appoint a named "qualified person" who is responsible for certifying that individual batches of medicinal product satisfy the legal requirements.

Manufacturing authorizations must be issued by the Member State authority where the manufacturing activity and plant is located and are holder and site-specific. An EU-based manufacturer may only import active substances from outside the EEA if the active substances have been manufactured in accordance with GMP equivalent to EU GMP for active substances and if they are accompanied by a written confirmation from the competent authority of the exporting third country, which as regards the plant manufacturing the exported active substance, confirms that the standards of GMP and control of the plant are equivalent to those in the EEA. Alternatively, active substances may be imported from countries on the white list of recognized GMP-equivalent countries operated by the Commission.

Distribution

Entities undertaking the wholesale distribution of medicinal products are also required to hold a wholesale dealer's authorization from the Member State where the distribution activity is taking place and must fulfil specified requirements concerning suitability and adequacy of premises, installations and equipment, so as to ensure proper conservation and distribution of the medicinal products. These requirements also extend to staff. In particular, a distributor must have a qualified 'responsible person' who meets national legislative requirements regarding qualifications.

Although we partially outsource the distribution of our products to third parties, the EU definition of wholesale distribution covers all activities consisting of procuring, holding, supplying or exporting medicinal products, apart from supplying medicinal products to the public. Such activities are carried out with manufacturers or their depositories, importers, other wholesale distributors or with pharmacists and persons authorized or entitled to supply medicinal products to the public in the Member State concerned. We are required to ensure that our distributors comply with such requirements in the course of operating our business.

Distributors are subject to regular site and system inspections by competent authorities to assess the distributor's compliance with applicable legal requirements in the Community Code in Directive 2001/83/EC, which include compliance with the principles of EU GDP. Distributors must keep certain records and documentation (particularly for the purposes of facilitating product and batch recall) and must operate a quality system and have a plan for effective implementation of recalls. Distributors are also obligated to confirm that entities from whom they obtain supplies of medicinal product have the appropriate authorizations and, where applicable, have complied with GDP principles. They may also only supply to entities who possess appropriate authorizations.

Labelling

On the EU level, the labelling requirements are largely set forth in Title V of Directive 2001/83/EC. These provisions determine the information that has to be displayed on the immediate packaging and, if used, on the outer packaging of medicinal products as well as the information to be contained in the leaflet.

Since February 2019, the EU falsified medicines legislation (Directive 2011/62/EU and Commission Delegated Regulation 2016/16/EU, amending and supplementing Directive 2001/83/EC) imposes additional obligations on manufacturers. Its goal is to prevent the entry of falsified medicinal products into the legal supply chain by requiring the placing of safety features consisting of an unique identifier and an anti-tampering device on the product packaging of certain medicinal products for human use for the purposes of allowing their identification and authentication.

Promotion

Directive 2001/83/EC sets out strict rules on the advertising of medicinal products.

In the EU, the concept of advertising is broadly defined and includes any form of door-to-door information, canvassing activity or inducement designed to promote the prescription, supply, sale or consumption of medicinal product. Advertising must not be misleading and there is a positive obligation for the advertising to encourage the rational use of a medicinal product amongst other matters. All promotional materials and activity must also comply with the official Summary of Product Characteristics, which is always issued for an authorized medicinal product by the authorizing competent authority. We are required to ensure that our distributors comply with such requirements in the course of operating our business.

The advertising of medicines in the EU is permitted subject to certain restrictions in Directive 2001/83/EC. For example, the advertising of unauthorized medicines is prohibited. This includes the advertising of a medicine before a marketing authorization has been granted, as well as the advertising of an authorized medicine for uses (i.e. therapeutic indications) outside the scope of its marketing authorization ("off label use"). Advertising of prescription-only medicines to the general public is also prohibited, as is the provision of samples to the public for promotional purposes. In addition, the EU legislation gives members states certain flexibility to ensure adequate and effective monitoring of advertising and the detailed rules regarding promotion and monitoring are consequently not fully harmonized across the EU.

Fraud and Abuse

Furthermore, healthcare fraud and abuse regulations enforced by the different countries may impact a company's medicinal products business activities. These healthcare laws and regulations vary significantly from country to country. In essence, they aim to prevent any undue influence on the practice of prescribing products or other procurement decisions by prohibiting the provision of improper economic benefits to healthcare professionals and include, *inter alia*, anti-kick-back statutes and regulations on the advertising and promotions of medicinal products. If a company's operations are found to be in violation of any of these healthcare laws and regulations, it may be subject to penalties, including civil and criminal penalties, damages, fines, exclusion from the reimbursement programs, and the curtailment or re-structuring of its operations.

In Germany, for example, the offering or receipt of payments or other incentives may be subject to criminal sanctions not only with regard to physicians qualifying as a public official. In 2016, two new criminal offences have been added to the German Criminal Code (*Strafgesetzbuch*), which sanction, *inter alia*, discounts and kick-backs to physicians or other healthcare professionals for prescribing medicinal products. Besides, the Fifth Volume of the German Social Security Code (*Fünftes Sozialgesetzbuch*, "**SGB V**"), proscribes physicians to promise, grant, receive or offer any payment or other advantage for the

referral of patients or diagnoses. The state rules for professional conduct of physicians (*Berufsordnungen fur Ärzte*) contain similar regulations. Any circumvention of the regulations is prohibited as well. Although these regulations directly refer only to physicians, they may apply to other persons as well if they instigate or assist physicians engaged in the behavior prohibited. Furthermore, violations of the SGB V as well as the state rules for professional conduct of physicians may also constitute an infringement of the Unfair Competition Act, which prohibits unfair business practices. The violation of the Unfair Competition Act, in turn, may *inter alia* result in injunctive reliefs and claims for damages by competitors. Furthermore, the violation of healthcare fraud and abuse regulations may result in the exclusion from public procurement procedures, unless the respective company can demonstrate adequate self-cleaning measures.

Several other countries in the EU enacted sunshine-type regulations to increase the transparency of financial relationships between the healthcare industry and providers. In principle, these regulations prescribe transparency *inter alia* with respect to certain payments and other transfers of value made to physicians and other healthcare professionals but vary from country-to-country.

Pharmacovigilance

"Pharmacovigilance" refers to the science and activities relating to the detection, assessment, understanding and prevention of adverse effects or any other medicine-related problem. Marketing authorization holders are subject to detailed and extensive risk management and pharmacovigilance obligations under Directive 2001/83/EC, as amended and supplemented, and EC Regulation 726/2004, as amended from time to time, and the associated guideline on good pharmacovigilance practices. Among other matters, these include the implementation of risk minimization measures on a per product basis, as applicable, as well as a requirement for the marketing authorization holder to operate a pharmacovigilance system to monitor the safety of authorized medicinal products and to detect any change to their risk-benefit balance. Details of the pharmacovigilance system must be set out in the pharmacovigilance system master file, which must be maintained by the marketing authorization holder and kept available for inspection by competent authorities upon request. The marketing authorization holder must establish and use a "quality system" to perform its pharmacovigilance obligations.

Pharmacovigilance obligations on the marketing authorization holder include detailed obligations regarding reporting. For example, a marketing authorization holder must record all suspected adverse reactions in the EEA or in countries outside of the EEA which are brought to its attention, and report such information via the centralized EudraVigilance database. The marketing authorization holder must also submit periodic safety updates to the European Medicines Agency regarding the benefits and risks of the medicinal product. Other pharmacovigilance obligations are imposed regarding the availability to the marketing authorization holder of appropriate personnel and resources. For example, the marketing authorization holder must have permanently and continuously at its disposal an appropriately 'qualified person responsible for pharmacovigilance' who resides in the EEA.

Sanctions for Infringement Under EU Law

Under Commission Regulation 658/2007, as amended by Commission Regulation 488/2012, the European Commission may directly impose financial penalties where the holder of a EU marketing authorization granted under EC Regulation 726/2004 has intentionally or negligently breached certain obligations set out in the EU pharmaceutical legislation. The power to impose financial penalties applies in cases where the infringement may have significant public health implications in the EU; where it has a EU-wide dimension by taking place or having its effects in more than one Member State; or where interests of the EU are involved.

In the event of infringement, the European Commission may impose a fine of up to 5% of the marketing authorization holder's turnover in the EEA in the preceding year. If the infringement is ongoing, the European Commission may impose periodic penalty payments per day of up to 2.5% of the marketing authorization holder's average daily EEA turnover in the preceding business year until such time as the infringement is remedied. The European Commission may also impose a fine of up to 0.5% of the marketing authorization holder's EEA turnover in the preceding business year if the marketing authorization holder fails to cooperate with the European Commission's investigation of the alleged breach. Where the non-cooperation continues, the European Commission may impose periodic penalty payments per day of up to 0.5% of the marketing authorization holder's average daily EEA turnover in the preceding business year until the non-cooperation is remedied.

Penalties may also be imposed by the national authorities. The German competent authorities, for example, in particular the Federal Institute for Medicinal Products and Medical Devices (*Bundesinstitut für Arzneimittel und Medizinprodukte*) and—at a regional level—the administrative authorities in the respective federal states have a range of enforcement powers. As well as the power to prosecute the company and/or the individuals responsible, the competent authorities have investigatory powers enabling them to enter, inspect, and search premises and seize medicinal products. The competent authorities can also suspend or revoke any German marketing authorization, manufacturing authorization, wholesale dealer authorization, thereby preventing the holder from carrying on these respective activities.

Reimbursement of Medicinal Products

Reimbursement of medicinal products is not harmonized within the EU but varies among the different Member States. Thus, differences exist not only with respect to the products covered but also the amount of reimbursement. Regulations concerning reimbursement are also subject to constant change.

Directive 89/105/EEC places obligations on Member States in respect of their regulation of the pricing of medicinal products. These obligations include: (i) prescribed time periods in which a competent authority must respond to an application for approval of the price / price increase of a medicinal product (where such approval is required before the product can be marketed or the price increase implemented, respectively); (ii) regular review of price freezes to consider whether such price freezes are justified and prescribed time periods for announcing the results of such reviews; (iii) requirements to furnish reasons for certain decisions; (iv) the duty to publish prescribed information and provide prescribed information to the European Commission regarding products for which prices have been fixed and the prices which may be charged including any price increases; and (v) time periods for communicating decisions (including exclusions) on whether reimbursement of a medicinal product will be covered by a national health insurance system. These obligations include communicating criteria used by national social security systems for therapeutic classification of medicinal products as well as criteria used by competent authorities to verify transfer pricing used by companies for active ingredients, intermediate manufactured or finished medicinal products.

Member States are also obliged to publish information and to communicate to the European Commission the methods and criteria they apply to define profitability, return on sales and/or return on capital, including the ranges of target profit permitted and the maximum percentage of profit permitted to persons placing medicinal products on the market.

Data Protection

The Regulation (EU) 2016/679 (General Data Protection Regulation, "**GDPR**") is a uniform framework laying down principles for legitimate data processing. The GDPR has direct effect in each EU Member State, without the need for further enactment in all EU member states. Many EU Member States have enacted national implementation acts which accompany the GDPR, such as e.g. the German Federal Data Protection Act (*Bundesdatenschutzgesetz*, "**BDSG**"). The GDPR entails strict requirements, obligations and restrictions for the collection, storage, transfer, and further processing of personal data, in particular (without limitation) for lawful processing, transparency, international data transfers, storage limitation, data mapping and accountability, processor (service provider) obligations, joint controllership, notification of data breaches and the requirement to designate a data protection officer and/or EU representative, as applicable.

Under the GDPR, the regulatory requirements include that personal data may only be collected for specified, explicit and legitimate purposes based on a legal ground set out in the GDPR or in local EU Member State laws. Personal data collected may only be further processed in a manner consistent with those purposes. Personal data must also be adequate, relevant and limited to what is necessary in relation to the purposes for which it is processed. It must be processed in a manner that ensures transparency, fairness and appropriate security of the personal data. Personal data must not be transferred outside of the EU unless certain steps are taken to ensure an adequate level of protection and must not be kept for longer than necessary for the purposes of collection or further processing. Individuals have far-reaching rights in relation to the processing of their personal data, such as the right to access, rectification, deletion, restriction of processing and data portability.

With respect to the use of sensitive data relating to individuals (for example, patients' health or medical information, religious believes, union membership or sexual orientation), more stringent rules apply, limiting the circumstances and the manner in which it is legally permitted to process that data and transfer

that data outside of the EU. In particular, in order to process such data, explicit consent to the processing (including any transfer) is usually required from the data subject (an identified or identifiable natural person to whom the personal data relates).

Additionally, the GDPR enacts substantial fines for violations of the data protection rules and other administrative sanctions. These sanctions depend on the nature of the infringed provision and the concomitant circumstances and may include formal warnings, cease-and-desist orders and fines of up to €20 million or up to 4% of the total worldwide annual turnover of the undertaking of the preceding financial year, whichever is higher, for each infraction. Additional penalties may apply, such as the deprivation of profits. Further adverse consequences of infringements of the GDPR may include civil claims for material and immaterial damages of the individuals affected by the infringement. Individual EU Member State implementation laws such as e.g. the BDSG also provide criminal sanctions for specific violations.

MANAGEMENT

Managing Directors of Cheplapharm Arzneimittel GmbH

Cheplapharm Arzneimittel GmbH is a company with limited liability (*Gesellschaft mit beschränkter Haftung*) incorporated and existing under the laws of Germany and has its corporate seat in Greifswald. Cheplapharm Arzneimittel GmbH was incorporated on July 8, 1998 and is registered at the local court (*Amtsgericht*) of Stralsund (HRB 5896). Its business address is Ziegelhof 24, 17489 Greifswald, Germany. Cheplapharm Arzneimittel GmbH is managed by its managing directors Sebastian Braun, Bianca Yasmin Juha, Edeltraud Maria Lafer and Jens Rothstein (together the "**Managing Directors**"). The table below and following paragraphs set forth certain biographical information regarding the Managing Directors.

Name	Age	Responsibility
Sebastian Braun	39	Chief Executive Officer (CEO)
Bianca Yasmin Juha	36	Chief Scientific Officer (CSO)
Edeltraud Maria Lafer	57	Chief Operating Officer (COO)
Jens Rothstein	52	Chief Financial Officer (CFO)

The following are brief biographical descriptions of the current Managing Directors.

Sebastian Frank Braun was born in 1980 and has been managing director, CEO and 50% shareholder of Cheplapharm since it was acquired by the Braun family in 2003. In 2004, Mr. Braun became Chief Executive Officer of Cheplapharm. He holds a Diplom-Betriebswirt from Georg-August-University in Göttingen and is trained as a qualified bank professional (*Bankkaufmann*). Prior to joining Cheplapharm, Sebastian was associated with Riemser (until 2004). He is also a managing director of certain affiliates of the Issuer. Mr. Braun serves as BPI board member and as a member of Deutsche Bank advisory board (*Beirat*).

Bianca Yasmin Juha was born in 1983 and has been managing director, CSO and 50% shareholder of Cheplapharm since 2013. She served as a Vice CSO of Cheplapharm from 2013 to 2015, when she became our CSO. Bianca is a qualified medical doctor from Georg-August-University in Göttingen and did her clinical traineeship in 2010 at the University Medical Faculty in Göttingen. She also holds a degree in economics from FernUniversität Hagen. Prior to joining Cheplapharm Bianca did her traineeship in 2013 at Walter Ritter GmbH & Co. KG. She is also a managing director of certain affiliates of the Issuer.

Edeltraud Maria Lafer was born in 1962 and has been managing director and COO of Cheplapharm since 2014. She holds a Diplom-Ingenieur degree from University of Natural Resources and Life Sciences, Vienna in Agriculture and Husbandry with a focus on Agricultural Economics, Business Administration and Marketing. From 1990 to 1998, Edeltraud held different positions at WERFFT Chemie/Sanochemia AG Austria, including as its managing director and the four newly establishes subsidiaries in Eastern Europe. From 1999 to 2014, Edeltraud was associated with RIEMSER and held different roles including managing director of RIEMSER Tierarzneimittel, member of the board of RIEMSER Arzneimittel AG and senior vice president international of RIEMSER Arzneimittel AG.

Jens Rothstein was born in 1967 and has been managing director and CFO of Cheplapharm since 2012. Prior to this, Jens was associated with Norika GmbH, Parfum Distribution Hamburg GmbH and Kreissparkasse Torgau-Oschatz. He holds a degree as Diplom-Betriebswirt (FH) from the University of Applied Science Rheinland-Pfalz in Trier and is trained as a qualified bank professional (*Bankkaufmann*). Prior to joining Cheplapharm, Mr. Rothstein held different positions at Norika GmbH, Parfum Distribution Hamburg GmbH, LAROVA Biochemie GmbH, PlasmaSelect AG, Kreissparkasse Torgau-Oschatz, and Raiffeisenbank Monheim eG. He is also a managing director of certain affiliates of the Issuer.

Compensation of Directors

The total amount of remuneration paid to our managing directors amounted to € 601 thousand for the year ended December 31, 2018 (year ended December 31, 2017: €604 thousand). The managing directors did not receive shares or stock options as part of their compensation.

PRINCIPAL SHAREHOLDERS

The Issuer is indirectly owned by Braun Beteiligungs GmbH ("**BBG**"), a (family) holding company which is in turn owned by Sebastian Braun, our Chief Executive Officer, and Bianca Juha, our Chief Scientific Officer, who each indirectly hold 50% of the shares in BBG.

BBG was founded in 1973 as an investment vehicle for the Braun Family. Today it is a diversified holding company with investments in the food, pharmaceutical, real estate and retail industries and has more than 25 years of experience in executing buy-and-build strategies in the pharmaceutical industry. The Braun family and BBG are also former owners of RIEMSER Arzneimittel GmbH, which they sold in 2012.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We enter into transactions with certain related parties or our affiliates from time to time and in the ordinary course of our business. We believe these agreements are on terms no more favorable to the related parties or our affiliated than they would expect to negotiate with disinterested third parties.

Shareholder Loan Agreement with CheplaFinance 2 GmbH

The Issuer is party to a shareholder loan agreement dated September 30, 2019 with CheplaFinance 2 GmbH in an original principal amount of €30.1 million. The shareholder loan with CheplaFinance 2 GmbH replaces a previous shareholder loan entered into with Braun Beteiligungs GmbH in 2018. The shareholder loan is to be repaid in full on its maturity date, July 12, 2026. In connection with the offering of the Notes, we intend to extend the maturity date of the shareholder loan to at least the first anniversary of the maturity date of the Notes. Interest on the shareholder loan accrues at a rate of 2.9% per annum, provided that the Issuer has the option to capitalize any interest that would otherwise become due by giving a corresponding notice. CheplaFinance 2 GmbH's claims under the shareholder loan are subordinated to the claims of any other creditor of the Issuer (including holders of the Notes) in case of a liquidation or the opening of insolvency proceedings over the Issuer.

Spin-off of WR Group GmbH and Walter Ritter GmbH & Co. KG

On July 25, 2019, the Issuer entered into a Spin-off and acquisition agreement with Braun Beteiligungs GmbH. Under this agreement, the Issuer transferred the shares in WR Group GmbH and Walter Ritter GmbH & Co. KG by the way of transformation via spin-off to Braun Beteiligungs GmbH. As a result of the spin-off, Braun Beteiligungs GmbH became a limited partner of Walter Ritter GmbH & Co. KG and acquired certain outstanding receivables to Cheplapharm from Walter Ritter GmbH & Co. KG in the amount of EUR 3,565,518, while Cheplapharm Arzneimittel GmbH ceased its limited partnership. Also, Cheplapharm Arzneimittel GmbH spun-off its shares in WR Group GmbH to Braun Beteiligungs GmbH. This transfer took place with the effective date from January 1, 2019.

Lease Agreement with Sebastian Braun

The Issuer as lessee is party to a lease agreement with Sebastian Braun relating to a hall area and ancillary areas immediately adjacent to the Issuer's headquarter. We are intending to develop additional office space in the current hall area and may enter into a new lease agreement at a higher rent with Sebastian Braun in connection therewith.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following summary of certain provisions of the documents listed below governing certain of our indebtedness does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. Unless otherwise defined in this Offering Memorandum or unless the context otherwise requires, terms defined in the agreements described below shall have the same meanings when used in this section.

Senior Facilities Agreement

The Issuer as company (the "**Company**") is party to an up to €1,290.0 million facilities agreement originally dated 6 July 2018 (as amended and/or restated from time to time, the "**Senior Facilities Agreement**") providing for a revolving credit facility in an aggregate amount of €310.0 million (the "**Revolving Credit Facility**") and a senior term loan facility in a principal amount of aggregate amount of €980.0 million (the "**Term Loan Facility**") (the Revolving Credit Facility and Term Loan Facility are collectively referred to as the "**Senior Facilities**" for the purposes of this description).

As of the date of this Offering Memorandum, the Term Loan Facility is fully drawn. The Term Loan Facility matures on the date falling seven years after July 12, 2018 (the "**Closing Date**"), i.e. July 12, 2025, and all amount outstanding thereunder must be repaid in full on such date. The Revolving Credit Facility has been and may continue to be drawn by the Company and any additional borrowers which may accede to the Senior Facilities Agreement subject to the conditions set out therein. The Revolving Credit Facility will mature on the date falling the date falling six years after the Closing Date, i.e. July 12, 2024. The purpose of the Revolving Credit Facility is to finance general corporate purposes (but excluding the refinancing of financial market instruments), permitted acquisitions and any unexpected costs or improvements of terms incurred as a result of the syndication of the Senior Facilities. The Revolving Credit Facility may be used for the drawing of loans in euro or by way of ancillary facilities by the relevant lenders thereunder or an affiliate of such lenders. Any loan made available under the Revolving Credit Facility shall (subject to the operation of customary rollover mechanics) be repaid on the last day of its interest period and all amounts outstanding under the Revolving Credit Facility must be repaid on the final maturity date.

In addition to the Revolving Credit Facility and Facility B, the Senior Facilities Agreement includes (in addition to other permissions under the limitation on indebtedness covenant) the ability (without double counting against the limitation on indebtedness covenant) to incur additional indebtedness (including under one or more uncommitted additional facilities within the Senior Facilities Agreement and/or any additional notes and/or other facilities or notes documented outside the Senior Facilities Agreement), provided that, pro forma for the incurrence of such additional facilities: (i) if such indebtedness is secured on the Collateral, and subject to the Intercreditor Agreement such that such liabilities rank *pari passu* with the Senior Facilities, the Net Senior Secured Leverage Ratio (as defined in the Senior Facilities Agreement) does not exceed 4.50:1; or (ii) if the indebtedness does not fall within paragraph (i), the total net leverage coverage ratio (as defined in the Senior Facilities Agreement) does not exceed 5.50:1, and in each case, subject to certain other conditions being met.

Ancillary Facilities

Under the Revolving Credit Facility, a lender (or an affiliate of a lender) may make available an ancillary facility by way of an overdraft credit facility, a guarantee, bonding, documentary or stand-by letter of credit facility, a short term loan facility, a derivatives facility, a foreign exchange facility, or any other facility or accommodation which is agreed by the Company and the relevant ancillary lender, to a borrower in place of all or part of the respective lender's unutilized Revolving Credit Facility commitment.

Interest and Fees

The Term Loan Facility bears interest at a rate of EURIBOR plus the applicable margin. The initial applicable margin was 4.00% per annum. The margin applicable to the Term Loan Facility is adjusted from time to time, subject to certain conditions (including but not limited to, if no event of default has occurred and is continuing) to a percentage rate per annum determined in accordance with a total net leverage ratio related margin grid with a range from 3.50% per annum to 4.00% per annum. Concurrently with the offering of the Notes, lenders in respect of the Term Loan Facility have agreed to reduce the margin to 3.50% per annum and the total net leverage ratio related margin grid shall be for a range from 3.00% per annum to 3.50% per annum.

The Revolving Credit Facility bears interest at a rate of EURIBOR plus the applicable margin. The initial applicable margin was 3.25% per annum. The margin applicable to the Revolving Credit Facility is adjusted from time to time, subject to certain conditions (including, but not limited to, if no event of default has occurred and is continuing) to a percentage rate per annum determined in accordance with a total net leverage ratio related margin grid with a range from 2.25% per annum to 3.25% per annum.

If EURIBOR is less than zero, EURIBOR shall be deemed to be zero in respect of any loan made under the Senior Facilities Agreement. Default interest is 1.00% per annum higher than the interest rate that would otherwise be applicable in respect of the unpaid amount.

We are required to pay quarterly in arrears a commitment fee on the available but undrawn commitments under the Revolving Credit Facility at a rate of 35% of the then applicable margin for the period commencing on the date of the first utilization of the Term Loan Facility and ending on the last day of the availability period applicable to the Revolving Credit Facility being the date falling one month prior to the termination date applicable to the Revolving Credit Facility (or, if earlier, the date on which the Revolving Credit Facility is cancelled in full).

We are not required to pay any commitment fees to a lender for so long as it is a defaulting lender.

We are also required to pay certain fees to the facility agent and the Security Agent under the Facilities Agreement.

Guarantees and Security

The Senior Facilities Agreement is guaranteed by the Issuer and the Parent Guarantor and is secured by the same Collateral that will secure the Notes and the Notes Guarantee, in each case subject to certain limitations due to applicable corporate law and contractual provisions.

The Senior Facilities Agreement further provides that the aggregate of earnings before interest, tax, depreciation and amortization of the Company and all other Guarantors with positive EBITDA or sales (calculated on the same basis as EBITDA (as defined in the Senior Facilities Agreement), before reallocation of intra-group items, in each case evidenced on the basis of the financial statements of the relevant Guarantor which were consolidated into the latest consolidated financial statements of the Restricted Group) represents at least 80% of the aggregate EBITDA (as defined in the Senior Facilities Agreement) of the Restricted Group (before reallocation of intra-group items) determined annually on the basis of the relevant financial statements of the members of the Restricted Group (the "Guarantor Coverage Test"). No breach of the Guarantor Coverage Test will occur if within the agreed accession period, the Company procures that, subject to certain agreed security principles additional subsidiaries become Guarantors such that if they had been Guarantors on the reference date, the Guarantor Coverage Test would have been satisfied. The Guarantor Coverage Test will be tested (i) annually as per the end of each fiscal year of the Company and (ii) following the closing of a material business acquisition (i.e. where the EBITDA of the Restricted Group is increased by more than 10%). The agreed accession period commences with the delivery of the relevant annual (in case of (i) above) financial statements or the completion of a material business acquisition (in case of (ii) above) and its duration is 30 days for additional Guarantors established in Germany and 60 days for additional Guarantors established in any other jurisdiction.

Voluntary Cancellation and Prepayment and Mandatory Prepayment

The Company may, if it gives the facility agent at least five business days prior written notice, cancel the whole or, subject to a certain minimum cancellation amount, part of an available facility under the Senior Facilities Agreement. Any such cancellation will reduce the commitments of the lenders under the affected facility ratably.

Each borrower may voluntarily prepay all or, subject to a certain minimum repayment amount, part of a utilization made available to it under the facilities under the Senior Facilities Agreement by giving at least five business days prior written notice to the facility agent. Amounts prepaid in respect of the facilities under the Facilities Agreement may not be reborrowed as the relevant commitments will be irrevocably cancelled. Any prepayment shall be made with accrued interest on the amount prepaid and, subject to breakage costs, without premium or penalty. Any such prepayment will be shared pro rata across the lenders under the affected facility under the Senior Facilities Agreement.

In addition to voluntary prepayments, the Senior Facilities Agreement requires mandatory prepayment and cancellation of the Revolving Credit Facility:

- with respect to any lender, if it becomes unlawful in any applicable jurisdiction for such lender to perform any of its obligations, or to fund or maintain its participation in any loan made available, under the Senior Facilities Agreement (or it becomes unlawful for any affiliate of an issuing bank for that issuing bank to do so); and
- if a Change of Control (as defined below) has occurred, with respect to any lender that requires prepayment within a 20 business day offer period commencing on the date of receipt of a Change of Control notice by the facility agent. Subject to the timely exercise of its rights within such offer period, each lender will be entitled to require each borrower to repay such lender's participation in any utilizations to that borrower together with accrued and unpaid interest and any additional amounts accrued under the finance documents.

"**Change of Control**" means (other than in relation to a permitted transaction):

(a) at any time prior to a listing:

  (i) Sebastian Braun, Bianca Juha and any of their immediate family members (including their parents, descendants and spouses) (the "**Natural Persons**"), any trustee of a trust in respect of which the primary beneficiaries comprise the Natural Persons, any other entity of which all of the stockholders, partners, owners or other persons which own or are entitled to a membership or ownership interest (including any profit distributions) comprise the Natural Persons or any combination of the above (the "**Original Shareholders**") cease (directly or indirectly):

    (A) to have the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to:

      (1) cast, or control the casting of, more than 50% of the maximum number of votes that might be cast at a shareholders' meeting of the Parent Guarantor; or

      (2) appoint or remove all, or the majority, of the managing directors of the Parent Guarantor; or

    (B) hold beneficially more than 50% of the issued share capital of the Parent Guarantor; or

  (ii) the Parent Guarantor ceasing to own (directly or indirectly) 100% of the issued shares in the Company;

(b) at any time after a listing:

  (i) the Original Shareholders cease to control (directly or indirectly) more than 50% of the issued share capital of the Parent Guarantor;

  (ii) any person or group of persons acting in concert (other than the Original Shareholders) holding or controlling beneficially, directly or indirectly, 30% or more of the share capital of the Parent Guarantor; or

  (iii) the Parent Guarantor ceases to own (directly or indirectly) 100% of the issued shares in the Company.

Following the election of any lender to have his participation in any utilizations prepaid and cancelled following a Change of Control, such prepayment and cancellation will take place no later than 20 business days from the date the Issuer has received the prepayment and cancellation notice from the relevant lender.

Subject to the provisions of the Intercreditor Agreement, the Company must further ensure that the borrowers prepay loans and cancel available commitments in amounts equal to certain acquisition proceeds, disposal proceeds, insurance proceeds and flotation proceeds, to the extent applicable and subject to further conditions.

Financial Covenant

If, on any quarter date in respect of the period of the most recent four consecutive financial quarters, the aggregate of the loans outstanding under the Revolving Credit Facility (including loans made available under ancillary facilities but excluding any amounts to fund up-front or other one-off fees, any original

issue discount and any increased margins) exceeds 40% of the total commitments under the Revolving Credit Facility as at that date (the "**Test Condition**"), the Company is required to confirm whether or not the Net Senior Secured Leverage Ratio (as defined in the Senior Facilities Agreement) for the period of the most recent four consecutive financial quarters (subject to certain provisions and adjustments) exceeds 6.00:1 (the "**Financial Covenant**").

A breach of the Financial Covenant (if required to be tested) will not constitute a default if it is complied with when tested on the next test date or the Test Condition is not met on the next test date.

The Company is permitted to prevent or cure breaches of the Financial Covenant by electing to designate the proceeds from any new equity of the Company and new shareholder loans received by the Company after the breach of the Financial Covenant as a cure amount. The Company may not make such election (i) more than four times during the life of the Senior Facilities Agreement, or (ii) in consecutive testing periods. A breach of the Financial Covenant may only be cured if the relevant equity or shareholder loan is actually received by the Company no later than twenty (20) Business Days after the date on which the relevant compliance certificate disclosing the breach was required to be delivered to the facility agent.

Representations

The Senior Facilities Agreement will contain certain representations and warranties (subject to certain specified exceptions and qualifications and with certain representations being repeated), including (i) status, (ii) binding obligations, (iii) non-conflict with other obligations, (iv) power and authority, (v) validity and admissibility in evidence, (vi) governing law and enforcement, (vii) insolvency, (viii) no filings and stamp taxes, (ix) no default, (x) no misleading information in relation to certain information and documents provided to the facility agent and the other finance parties, (xi) financial statements, (xii) no litigation, (xiii) no breach of laws, (xiv) taxation, (xv) title to assets, (xvi) ownership of shares in members of the restricted group, (xvii) legal and beneficial ownership of the Collateral, (xviii) intellectual property, (xix) group structure chart, (xx) pensions, (xxi) sanctions, (xxii) anti-corruption and anti-money laundering laws, (xxiii) pari passu ranking, (xiv) centre of main interest and (xxv) no deduction of tax.

Certain representations were made on the date of the Senior Facilities Agreement and will be repeated on the date of each utilization request, the date of each utilization and on the first date of each interest period.

General Undertakings

We are subject to certain restrictive and, as the case may be, affirmative covenants under the Senior Facilities Agreement customary for these types of financing, which, in turn, are subject to certain specified exceptions and qualifications (customized to our business and adjusted to our current credit standing). The Senior Facilities Agreement will, in particular and without limitation, include restrictions and limitations (subject to exceptions, basket and thresholds) on:

- Mergers, amalgamations, demergers, consolidations or other corporate reconstructions;
- Acquisitions;
- Investments,
- Grating security interests (negative pledge);
- Disposals;
- Making loans or credits;
- Dividends, making subordinated loans and other distributions;
- Issues of shares; and
- Treasury transactions and the entry into other derivative transactions.

In particular, the dividend covenant under the Senior Facilities Agreement, restricts our ability to declare, make or pay any dividend, charge, fee or other distribution or make any payment in respect of any shareholder loan or make any loan to the Company's direct or indirect shareholders, subject to certain exemptions which, *inter alia*, permit for a distribution if (y) immediately before and after giving pro forma effect to any such distribution, no event of default under the Senior Facilities Agreement shall have occurred and (z) the Company's Net Senior Secured Leverage Ratio (as defined in the Senior Facilities

Agreement) does not exceed a certain ratio. The acquisition covenant under the Senior Facilities Agreement restricts our ability to acquire a company, or any shares or securities or a business or undertaking, subject to certain exemptions and conditions which, *inter alia*, permit any individual acquisition of up to an agreed amount subject to additional conditions under the Senior Facilities Agreement being satisfied.

For acquisitions of additional pharmaceutical products above a certain agreed threshold, these requirements include, among others, that:

- the purchase price does not exceed 3.5x times the revenue generated by the acquisition target during the immediately preceding twelve months period for which financial information is available;
- based on available financial information, the purchase price divided by the expected cumulated contribution margin of the acquisition target results in a return of investment period of less than or equal to 5.5 years (as confirmed by an external valuation report); and
- internal due diligence and external valuation reports have been prepared.

Affirmative covenants in the Senior Facilities Agreement will include, without limitation, and subject to exceptions, basket and thresholds:

- Maintenance of authorizations;
- Compliance with laws;
- Notification of environmental claims;
- Preservation of assets;
- Maintenance of *pari passu* ranking;
- Arm's length basis;
- Maintenance of insurance;
- Intellectual property;
- Sanctions, anti-corruption and anti-money laundering laws;
- Maintenance of credit ratings;
- Further assurance; and
- Centre of Main Interest.

Events of Default

The Senior Facilities Agreement contains certain events of default that are customary for such types of financing (subject to customary materiality qualifications and grace periods), including, without limitation: (i) non-payment of amounts due under the Senior Facilities Agreement and the other finance documents, (ii) breach of the Financial Covenant, (iii) breach of other obligations, (iv) misrepresentations, (v) cross default or acceleration, (vi) insolvency or insolvency proceedings, (vii) creditor's process, (viii) unlawfulness or invalidity of the Senior Facilities Agreement or another finance document, (ix) breach of the Intercreditor Agreement or (x) occurrence of a material adverse change. The occurrence of any such event of default would, subject to any applicable grace periods or cure rights and agreed exceptions, entitle the lenders to cancel their commitments, declare that all or part of the loans together with accrued interest and all other amounts accrued or outstanding under the finance documents be immediately due and payable and declare that cash cover in respect of any outstanding amounts under the ancillary facilities is immediately due and payable or payable on demand.

Governing law

The Senior Facilities Agreement and any non-contractual obligations arising out of or in connection with it are governed by and construed and enforced in accordance with English law.

Intercreditor Agreement

The Issuer, the Security Agent, the facility agent and the lenders under the Senior Facilities Agreement, among others, entered into an intercreditor agreement originally dated July 6, 2018 (as amended and/or

restated from time to time, the "**Intercreditor Agreement**") to which the Trustee will accede as a "senior secured notes trustee" on or prior to the Issue Date. The Intercreditor Agreement governs, *inter alia*, the relationships and relative priorities among (i) the creditors under the Senior Facilities Agreement; (ii) the holders of the Notes and the Trustee; (iii) future hedge counterparties under certain hedging agreements (the "**Hedge Counterparties**") and (iv) certain other future creditors of the Restricted Group that may accede to the Intercreditor Agreement from time to time in accordance with its terms; (v) certain intra group creditors and debtors; (vi) future creditor representatives; and (vii) the Security Agent.

By accepting a Note, holders of the Notes will be deemed to have agreed to, and accepted the terms of, the Intercreditor Agreement.

Pursuant to the Intercreditor Agreement, the total amount of Indebtedness under any bilateral agreements and under any cash management agreements which are permitted to share in the Collateral, with respect to the proceeds of any enforcement of the Collateral (such credit facilities, together with the Senior Facilities, together the "Credit Facilities" and each a "Credit Facility") shall not exceed €10 million in the case of cash management liabilities and €13 million in the case of bilateral liabilities. The following description of certain provisions of the Intercreditor Agreement summarizes certain provisions of the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety nor does it describe provisions relating to the rights and obligations of holders of other classes of our debt. As such, we urge you to read the Intercreditor Agreement because it, and not the general overview that follows, defines the rights of the holders of the Notes.

General

The Intercreditor Agreement, among other things, sets out:

- the relative ranking of certain indebtedness and liabilities of the Debtors;
- when payments can be made in respect of certain indebtedness of the Debtors;
- when enforcement actions can be taken in respect of that indebtedness;
- the terms pursuant to which that indebtedness will be subordinated upon the occurrence of certain insolvency events;
- when enforcement actions can be taken in respect of the transaction security;
- turnover provisions; and
- when the transaction security and guarantees will be released to permit a sale of the collateral.

For purposes of this description, "Senior Secured Notes" shall include the Notes and any other notes, securities or other debt instruments issued or to be issued by or in relation to which a New Debt Financing (as defined below) has been made available to a member of the Restricted Group which are designated by the Issuer as "Senior Secured Notes" under the Intercreditor Agreement. In this description, terms used but not defined herein shall have the meaning ascribed to them in the Intercreditor Agreement.

Ranking and Priority

The Intercreditor Agreement provides that the liabilities owed by the Issuer and each other debtor under the Intercreditor Agreement (together, the "**Debtors**") (other than any member of the Restricted Group which is designated as a Topco Borrower under the Intercreditor Agreement (a "**Topco Borrower**")) shall rank in right of priority and payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

first, liabilities owed to (i) the lenders, issuing banks and ancillary lenders in relation to the Senior Facilities Agreement or any future senior secured facilities agreements (a "**Permitted Senior Secured Facilities Agreement**") (the "**Credit Facilities Liabilities**"), (ii) the lenders, issuing banks, and ancillary lenders in relation to any future super senior facilities agreement (a "**Permitted Super Senior Secured Facilities Agreement**") and any hedge counterparty under a hedging agreement that is designated by the Parent as super senior (together the "**Super Senior Liabilities**" and creditors thereof being the "**Super Senior Creditors**"), (iii) the Trustee and any trustee in relation to senior secured notes issued by a member of the Restricted Group and designated as such by the Issuer ((the "**Senior Secured Notes**") (each a "**Senior Secured Notes Trustee**") (other than certain amounts paid to it in its capacity as trustee), the Senior Secured Notes and the Security Agent in relation to the Senior Secured Notes (the "**Senior Secured Notes**

Liabilities"), (iv) the lender under any future loan made by the issuer of any Senior Secured Notes (if so designated by the Issuer in its discretion and not including, for the avoidance of doubt, the Issuer) to a member of the Restricted Group for the purposes of on lending the proceeds of any Senior Secured Notes together with any additional or replacement loan made on substantially the same terms (the "**Senior Secured Notes Proceeds Loan Liabilities**"), (v) the arrangers, agents and lenders under any cash management facility (a "**Cash Management Facility**" and the liabilities under a Cash Management Facility being the "**Cash Management Facility Liabilities**"), (vi) the hedge counterparties in relation to any hedging agreements that are not Super Senior Liabilities (together with the hedging designated by the Issuer as being Super Senior Liabilities, the "**Hedging Liabilities**"), (vii) the arrangers, agents and lenders under any bilateral agreements (a "**Bilateral Agreement**" and the liabilities under a Bilateral Agreement being the "**Bilateral Liabilities**") (viii) any agent or trustee under any finance documents relating to any of the aforementioned liabilities, any agent or trustee under the Topco Liabilities (as defined below) and to any agent or trustee in relation to certain other unsecured liabilities (together the "**Agent Liabilities**"), *pari passu* and without any preference between them and (ix) the Security Agent; and

second, all liabilities owed (i) to the trustee (other than certain amounts paid to it in its capacity as trustee), and the holders of any future notes issued by or in relation to which a New Debt Financing (as defined below) has been made available to or by a Topco Borrower and designated by the Issuer as Topco Notes and the Security Agent in relation to such Topco Notes (the "**Topco Notes Liabilities**"), (ii) under any future loan facility made available to any Topco Borrower (a "**Topco Loan**") (the "**Topco Facility Liabilities**" and together with the Topco Notes Liabilities, the "**Topco Liabilities**"), and (iii) the liabilities owed under any future loan (a "**Topco Proceeds Loan**") made by the Parent or any other entity which accedes to the Intercreditor Agreement for this purpose (a "**Topco Investor"**) for the purpose of on lending the proceeds of any Topco Notes or Topco Loans (the "**Topco Proceeds Loan Liabilities**" and together with the Topco Liabilities, the "**Topco Group Liabilities**"), *pari passu* and without any preference between them.

The Intercreditor Agreement provides that the liabilities owed by any Topco Borrower or any of its affiliates (other than a member of the Restricted Group) (the "**Topco Independent Obligors**") to the Secured Parties (as defined below) shall rank pari passu in right and priority of payment and without any preference between them in respect of (i) the Senior Lender Liabilities, (ii) the Super Senior Liabilities, (iii) the Senior Secured Notes Liabilities, (iv) the Cash Management Facility Liabilities, (v) the Hedging Liabilities, (vi) the Bilateral Liabilities, (vii) the Topco Liabilities, (viii) the Topco Proceeds Loan Liabilities, and (ix) the Agent Liabilities.

The Intercreditor Agreement provides that the intra-group liabilities owed by one member of the Restricted Group to another member of the Restricted Group (other than any Subordinated Liabilities (as defined below), Senior Secured Notes Proceeds Loan Liabilities or Topco Proceeds Loan Liabilities) (the "**Intra-Group Liabilities**") will be subordinated to the liabilities owed by the Debtors and Third Party Security Providers to the creditors under the Senior Lender Liabilities, Super Senior Liabilities, Senior Secured Notes Liabilities, Cash Management Facility Liabilities, Hedging Liabilities, Bilateral Liabilities, Agent Liabilities, Topco Liabilities and Topco Proceeds Loan Liabilities (such creditors, together with the Security Agent, any receiver or delegate, any creditor of the Agent Liabilities and any arranger with respect to the Secured Liabilities, the "**Secured Parties**").

The Intercreditor Agreement also provides that the liabilities owed by any member of the Restricted Group (other than any Topco Proceeds Loan Liabilities) to a holding company of the Parent or to any other person who becomes a subordinated creditor (a "**Subordinated Creditor**") under the Intercreditor Agreement (the "**Subordinated Liabilities**") will be subordinated to the liabilities owed by the Debtors and Third Party Security Providers to the Secured Parties and to the Intra-Group Liabilities.

New Debt Financing

The Intercreditor Agreement provides, subject to certain conditions, for the implementation of existing, additional, supplemental or new financing arrangements that will constitute, for the purposes of the Intercreditor Agreement, existing, additional, supplemental or new financing, guarantee or debt arrangements for the benefit of any person (including any Senior Secured Notes, any Senior Secured Notes Proceeds Loan, any Topco Loans, any Topco Notes and any Topco Proceeds Loan) (each a "**New Debt Financing**"). The conditions include certification by the Issuer that such New Debt Financing is expressly permitted under the Senior Facilities Agreement and not prohibited under the terms of the other Finance Documents.

Such financing arrangements may be implemented, without limitation, by way of refinancing, replacement, exchange, set-off, discharge or increase of any such new, existing, additional or supplemental financing, guarantee or debt arrangement under the relevant finance documents. In connection with and in order to facilitate any New Debt Financing, each Agent and the Security Agent (and each other person party to a Transaction Security document or a Topco Independent Transaction Security document) is authorized and instructed to enter promptly into any new security document, amend or waive any term of an existing security document and/or release any asset from the Transaction Security or Topco Independent Transaction Security (as the case may be) subject to certain conditions, including as regards the terms of such security (which shall be, unless otherwise agreed by the Issuer or otherwise required by the Issuer, substantially the same as the terms applicable to the existing Transaction Security or Topco Independent Transaction Security over equivalent assets).

Transaction Security

The Secured Parties benefit from the transaction security.

Subject to the order of application of proceeds (see "*—Application of Proceeds*" below), the transaction security shall rank and secure the following liabilities:

- prior to the designation date in respect of the Super Senior Liabilities, the liabilities owned to the Security Agent, the Agent Liabilities, the Senior Lender Liabilities, the Senior Secured Notes Liabilities, the Cash Management Liabilities, the Bilateral Liabilities and the Hedging Liabilities pari passu and without preference between them; and
- on and from the designation date in respect of the Super Senior Liabilities, first the liabilities owed to the Security Agent, the Agent Liabilities, the Super Senior Liabilities , the Super Senior Hedging Liabilities and second, the Senior Lender Liabilities, the Senior Secured Notes Liabilities, the Cash Management Liabilities, the Bilateral Liabilities and the pari passu hedging liabilities in each case pari passu and without preference between them; and
- then, to the extent of the Topco Shared Security, the Topco Liabilities pari passu and without any preference between them.

In addition, the Intercreditor Agreement provides that the guarantees and transaction security will be released in certain circumstances described further below in "*—Release of Security—Non distressed Disposals*" and "*—Release of Security and Guarantees—Distressed Disposals*".

Permitted Payments

Permitted Payments in Respect of the Senior and Super Senior Debt

The Debtors and Third Party Security Providers may make payments in respect of the Senior Lender Liabilities, Senior Secured Notes Liabilities and Super Senior Liabilities (together with the Super Senior Hedging Liabilities, the "**Senior Secured Creditor Liabilities**", the creditors in respect thereof being the "**Senior Secured Creditors**") at any time, provided that following certain acceleration events under the Senior Facilities Agreement, any Permitted Senior Secured Facilities Agreement or Super Senior Facility or Permitted Super Senior Secured Facilities Agreement or Senior Secured Notes or Permitted Super Senior Secured Facilities Agreement or following certain insolvency events in relation to a member of the Restricted Group, payments may only be made by Debtors or Third Party Security Providers and received by creditors in accordance with the provisions described below under "*—Application of Proceeds*" and further provided that after the designation date in respect of the Super Senior Liabilities there shall be no obligation to turnover any such payments received, other than those related to an enforcement of Transaction Security or a Distressed Disposal (as defined below) of assets subject to the Transaction Security.

Any failure to make a payment in accordance with the Senior Secured Finance Documents following an acceleration event as required by the Intercreditor Agreement shall not prevent the occurrence of an event of default under such applicable Senior Secured Finance Documents.

Permitted Payments in Respect of Topco Liabilities

Prior to the first date on which all of the Senior Liabilities, the Super Senior Liabilities and the Senior Secured Notes Liabilities (together, the "Secured Liabilities") have been discharged (the "**Priority Discharge Date**"), the Debtors may only make specified scheduled payments in respect of the Topco Group

Liabilities, in accordance with the Finance Documents governing such Topco Group Liabilities, subject to compliance with certain conditions in the Intercreditor Agreement.

The principal conditions include that the relevant payment (if it is a payment of principal or capitalized interest) is not prohibited by any prior ranking financing agreement, including any Permitted Super Senior Secured Facilities Agreement, Permitted Senior Secured Facilities Agreement and any Senior Secured Notes Indenture (or if it is so prohibited, that all necessary consents have been obtained to permit it), no payment stop notice has been issued to the agent or trustee for the relevant Topco Group Liabilities and no payment default (subject to a *de minimis* threshold in the case of amounts other than principal, interest or certain fees) is continuing under any Permitted Senior Secured Facilities Agreement, Permitted Super Senior Secured Facilities Agreement, Cash Management Facility document, Senior Secured Notes document or Bilateral Agreement.

Certain specified payments in respect of Topco Liabilities may also be permitted, notwithstanding that a payment stop notice is outstanding or such a payment default is continuing.

Enforcement Regime

Instructing Group

An "**Instructing Group**" means:

(a) if the designation date in respect of the Super Senior Liabilities has not occurred:

  (i) prior to the first date on which the Senior Secured Notes Liabilities, and the Senior Liabilities have been fully and finally discharged (the "**Senior Secured Discharge Date**"), the Majority Senior Secured Creditors (as defined below);

  (ii) on or after the Senior Secured Discharge Date but before the first date on which all Topco Liabilities have been fully and finally discharge has occurred (the "**Topco Discharge Date**"), the Majority Topco Creditors (as defined below); and

(b) at any time on or after the occurrence of the designation date in relation to the Super Senior Liabilities and:

  (i) prior to the date on which both the Senior Secured Discharge Date and the first date on which the Super Senior Liabilities have been fully and finally discharged (the "**Super Senior Discharge Date**") has occurred (the "**Priority Discharge Date**"), the Senior Secured Creditors (other than the Super Senior Creditors) representing more than 50% of the Senior Secured Liabilities (other than the Super Senior Liabilities) (the "**Majority Senior Secured Creditors**"), and the Super Senior Creditors representing more than 50% of the Super Senior Liabilities (the "**Majority Super Senior Creditors**") save that, for instructions relating to enforcement, it shall mean the group of Secured Creditors entitled to give instructions in accordance with the enforcement regime described under "*—Enforcement of Transaction Security Prior to the designation date in relation to the Super Senior Liabilities*" and "*—Enforcement of Transaction Security on or After the designation date in relation to the Super Senior Liabilities*" below;

  (ii) on or after the Priority Discharge Date but before the Topco Discharge Date, the Topco Creditors representing more than 50% of the Topco Liabilities (the "**Majority Topco Creditors**").

Enforcement of Transaction Security Prior to the designation date in relation to the Super Senior Liabilities

Prior to the designation date in relation to the Super Senior Liabilities, the Security Agent may refrain from enforcing the Transaction Security unless instructed otherwise (i) by the Instructing Group, or (ii) if, prior to the Priority Discharge Date, the Instructing Group have (A) given no instructions or have instructed the Security Agent not to enforce or cease enforcing and (B) not required any Debtor or Third Party Security Provider to make a Distressed Disposal, by a Topco Agent or the Topco Notes Trustee (acting on the instructions of the Majority Topco Creditors).

Subject to the Transaction Security having become enforceable in accordance with its terms, the Instructing Group or any other persons entitled to give instructions in accordance with the preceding paragraph may give or refrain from giving instructions to the Security Agent to enforce, or refrain from enforcing, the Transaction Security as they see fit. Notwithstanding the above paragraphs, if at any time the agents or representatives of the Topco Creditors then entitled to give the Security Agent instructions to enforce the

Transaction Security either gives such instruction or indicates any intention to give such instruction, then the Instructing Group may give instructions to the Security Agent to enforce the Transaction Security as the Instructing Group sees fit and the Security Agent shall act on such instructions received from the Instructing Group.

Unless (i) the Transaction Security has become enforceable as a result of an Insolvency Event (as defined below) or (ii) the Instructing Group or any agent of the creditors represented in the Instructing Group determines in good faith that to do so could reasonably be expected to have a material adverse effect on the Security Agent's ability to enforce the Transaction Security or the realization proceeds of any such enforcement, before giving any such instructions to enforce the Transaction Security or take any other enforcement action the creditors represented by an Instructing Group will be required to consult with each other agent (provided that any agent in respect of Topco Liabilities need only be consulted if such enforcement relates to Topco Shared Security) for a period of up to ten business days or take any Enforcement Action (the "**Consultation Period**") and the Instructing Group will only be entitled to give the enforcement instructions described above or take any Enforcement Action after the expiry of such Consultation Period.

Enforcement of Transaction Security on or After the designation date in relation to the Super Senior Liabilities

On or after the designation date in relation to the Super Senior Liabilities, the Security Agent may refrain from enforcing the Transaction Security unless instructed otherwise in accordance with the provisions described in this paragraph. If the Transaction Security has become enforceable, if either the Majority Super Senior Creditors or the Majority Senior Secured Creditors wish to issue enforcement instructions they shall deliver a copy of those instructions (an "**Initial Enforcement Notice**") to the Security Agent and to the other agents, trustees and hedge counterparties.

Subject to the terms of the Intercreditor Agreement, the Security Agent will act in accordance with any instructions (provided they are consistent with the security enforcement principles received from (i) the Majority Senior Secured Creditors, (ii) if the Majority Senior Secured Creditors have not made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue within three months of the Initial Enforcement Notice or the Super Senior Discharge Date has not occurred within six months of the Initial Enforcement Notice, the Majority Super Senior Creditors, until the Super Senior Discharge Date has occurred, (iii) if an Insolvency Event (other than an Insolvency Event directly caused by enforcement action taken at the request of a Super Senior Creditor) is continuing, the Majority Super Senior Creditors, until the Super Senior Discharge Date has occurred, (iv) if the Majority Senior Secured Creditors have not made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue and the Majority Super Senior Creditors determine in good faith that a delay could reasonably be expected to have a material adverse effect on the Security Agent's ability to enforce the Transaction Security or on the realization of proceeds and the Majority Super Senior Creditors deliver instructions before the Security Agent has received any instructions from the Majority Senior Secured Creditors, the Majority Super Senior Creditors, until the Super Senior Discharge Date has occurred, (v) if, prior to the Priority Discharge Date, the Majority Senior Secured Creditors or the Majority Super Senior Creditors (as applicable) have not given instructions or they have instructed the Security Agent (A) not to enforce or cease enforcing or (B) required any Debtor or Third Party Security Provider to make a Distressed Disposal, an agent or trustee acting on the instructions of the Majority Topco Creditors.

Notwithstanding the preceding paragraph, if at any time the agents or representatives of the Topco Creditors then entitled to give the Security Agent instructions either give such instruction or indicate any intention to give such instruction, then the Majority Senior Secured Creditors or Majority Super Senior Creditors to the extent that such group is entitled to give enforcement instructions as described in the paragraph above may give instructions to the Security Agent to enforce the Transaction Security as they see fit and the Security Agent shall act on such instructions.

Enforcement—Topco Independent Transaction Security

Subject to the Topco Independent Transaction Security having become enforceable in accordance with its terms, an agent or trustee under the Topco Finance Documents (acting on the instructions of the Majority Topco Creditors) may give or refrain giving, instructions to the Security Agent to enforce or refrain from enforcing the Topco Independent Transaction Security as they see fit.

Manner of Enforcement

If the Transaction Security or Topco Independent Transaction Security is being enforced in accordance with the terms of the Intercreditor Agreement, the Security Agent shall enforce the relevant Transaction Security or Topco Independent Transaction Security in such manner (including, without limitation, the selection of any administrator of any Debtor or Third Party Security Provider to be appointed by the Security Agent) as any persons entitled at any time pursuant to the Intercreditor Agreement shall instruct it or, in the absence of any such instructions, as the Security Agent sees fit (which may include taking no action).

No Secured Party shall have any independent power to enforce, or to have recourse to enforce, any Transaction Security or Topco Independent Transaction Security or to exercise any rights or powers arising under the security documents except through the Security Agent.

Security Held by Other Creditors

If any Transaction Security or Topco Independent Transaction Security is held by a creditor other than the Security Agent, then creditors may only enforce that Transaction Security or Topco Independent Transaction Security in accordance with instructions given by instructing creditors in accordance with the paragraphs above.

Turnover

Subject to certain exceptions, the Intercreditor Agreement provides that if, at any time prior to the latest to occur of the Super Senior Discharge Date, the Senior Secured Discharge Date, and the first date on which all of the Topco Liabilities have been fully discharged (the "**Topco Discharge Date**") (the "**Final Discharge Date**") any creditor receives or recovers from any Debtor, member of the Restricted Group or Third Party Security Provider:

(a) any payment or distribution of, or on account of or in relation to, any of the liabilities owed to the creditors under the Debt Documents other than any payment or distribution which is either (x) not prohibited under the Intercreditor Agreement or (y) made in accordance with the provisions set out below under "*—Application of Proceeds*";

(b) any amount by way of set-off which does not give effect to a payment permitted under the Intercreditor Agreement;

(c) any amount:

  (i) on account of, or in relation to, any of the liabilities owed to the creditors under the Debt Documents (I) after the occurrence of an acceleration event or the enforcement of any Transaction Security as a result of such an acceleration event, or (II) as a result of any other litigation or proceedings against a Debtor, member of the Restricted Group or any Third Party Security Provider (other than after the occurrence of an Insolvency Event (as defined below)); or

  (ii) by way of set-off in respect of any of the liabilities owed to it after the occurrence of an acceleration event or the enforcement of any Transaction Security as a result of such an acceleration event;

(d) the proceeds of any enforcement of any of the Transaction Security except in accordance with the provisions set out below under "*—Application of Proceeds*"; or

(e) any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by any Debtor, any member of the Restricted Group or Third Party Security Provider which is not in accordance with the provisions set out below under "*—Application of Proceeds*" and which is made as a result of, or after, the occurrence of an Insolvency Event (as defined below) in respect of that Debtor, member of the Restricted Group or Third Party Security Provider,

that creditor will:

(a) in relation to receipts and recoveries not received or recovered by way of set-off (x) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for (or otherwise on behalf and for the account of) the Security Agent and promptly pay or distribute that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement (or if a creditor cannot hold receipts and recoveries on trust, promptly pay or

distribute that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement), and (y) promptly pay or distribute an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

(b) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

A turnover mechanism on substantially the same terms applies in the event that, at any time on or after the designation date in relation to the Super Senior Liabilities but prior to the Final Discharge Date, any creditor receives or recovers from any Debtor, any member of the Restricted Group or Third Party Security Provider any amounts which should otherwise be received or recovered by the Security Agent except in accordance with the provisions set out below under "*—Application of Proceeds*".

"**Insolvency Event**" includes, in relation to any Debtor, member of the Restricted Group or Third Party Security Provider, (a) the passing of any resolution or making of an order made for the winding up, dissolution, administration or reorganization, (b) a composition, compromise, assignment or arrangement with any class of creditors generally (subject to certain exceptions), (c) the appointment of a liquidator, receiver, examiner, administrative receiver, administrator, compulsory manager or other similar officer in respect of it or any of its assets, or (e) any analogous procedure or step is taken in any jurisdiction, other than (in each case), frivolous or vexatious proceedings, proceedings or appointments which the Security Agent is satisfied will be withdrawn or unsuccessful or as permitted under the Facility Agreement or in any Permitted Senior Secured Facilities Agreement or Permitted Super Senior Secured Facilities Agreement or otherwise not constituting a default.

Application of Proceeds

Order of Application—Transaction Security

Subject to certain provisions set out in the Intercreditor Agreement and to the proviso described below, all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Debt Document (other than amounts in respect of Topco Independent Transaction Security or any other security which is not Transaction Security or any guarantees provided by any holding company of the Parent or any subsidiary of any holding company of the Issuer (other than a member of the Restricted Group) in respect of any Topco Liabilities or Topco Proceeds Loan Liabilities which are not also provided in respect of any of the Senior Secured Liabilities) or in connection with the realization or enforcement of all or any part of the Transaction Security or pursuant to any insolvency or safeguard proceedings shall be applied at any time as the Security Agent sees fit, in the following order of priority:

(a) in discharging any sums owed to the Security Agent and any receiver or delegate on a pari passu basis;

(b) in payment of all costs and expenses incurred by any Agent or Secured Creditor in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;

(c) if the designation date in relation to the Super Senior Liabilities has occurred and the liabilities under the Senior Facilities Agreement have been fully and finally discharged (and the Super Senior Discharge Date has not occurred):

first, for application towards the discharge of:

(i) the Super Senior Lender Liabilities and liabilities to arrangers and agents thereof; and

(ii) Hedging Liabilities that have been designated by the Parent as ranking alongside the Super Senior Lender Liabilities (the "Super Senior Hedging Liabilities") (on a pro rata basis between the Super Senior Hedging Liabilities of each hedge counterparty),

on a *pro rata* basis and ranking *pari passu* between paragraphs (i) and (ii) above, and

then **second** for application towards the discharge of:

(i) the Senior Arranger Liabilities, the Senior Agent Liabilities and the Senior Lender Liabilities;

(ii) the Senior Secured Notes Liabilities and the Senior Agent Liabilities;

(iii) the Cash Management Liabilities;

(iv) the Bilateral Liabilities; and

(v) the Pari Passu Hedging Liabilities,

on a *pro rata* basis between paragraphs (i) to (v) above.

(d) if the designation date in relation to the Super Senior Liabilities has not occurred or the designation date has occurred but the Super Senior Discharge Date has also occurred, for application towards the discharge of:

(i) the Senior Agent Liabilities, the Senior Lender Liabilities and liabilities to arrangers thereof;

(ii) the Senior Secured Notes Liabilities and the Senior Agent Liabilities;

(iii) the Bilateral Liabilities

(iv) the Cash Management Facility Liabilities; and

(v) the Hedging Liabilities which are not Super Senior Hedging Liabilities,

on a *pro rata* basis and ranking *pari passu* between paragraphs (i), (ii), (iii), (iv) and (v) above;

(e) solely to the extent such proceeds are from the realization or enforcement of the Topco Shared Security and any guarantees provided by a Topco Guarantor that is a member of the Restricted Group or Third Party Security Provider in respect of the Topco Liabilities, for application towards the discharge of (A) the Topco Agent Liabilities, the Topco Facility Liabilities and liabilities to arrangers thereof, and (B) the Topco Notes Liabilities and the Topco Agent Liabilities, on a pro rata basis and ranking pari passu between themselves;

(f) if none of the Debtors or Third Party Security Providers is under any further actual or contingent liability under any Debt Document relating to the Senior Secured Liabilities or the Topco Liabilities, in payment to any other person whom the Security Agent is obliged to pay in priority to any Debtor or Third Party Security Provider; and

(g) the balance, if any, in payment to the relevant Debtor,

provided that, all amounts from time to time received or recovered by the Security Agent from or in respect of a Topco Borrower pursuant to the terms of any Debt Document (other than in connection with the realization or enforcement of the Transaction Security or Topco Independent Transaction Security) shall be held by the Security Agent on trust to apply at any time as the Security Agent sees fit, in the following order of priority:

(vi) in accordance with paragraph (a) above;

(vii) in accordance with paragraph (b) above;

(viii)(pursuant to further conditions set out in the Intercreditor Agreement) in accordance with paragraphs (c), (d) and (e) above (in each case only to the extent there are liabilities due from the relevant Topco Borrower to such creditors);

(ix) in accordance with paragraph (f) above; and

(x) in accordance with paragraph (g) above.

Order of Application—Topco Independent Transaction Security

Subject to certain provisions set out in the Intercreditor Agreement, all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Topco Document in connection with the realization or enforcement of Topco Independent Transaction Security or any guarantees provided by a Topco Guarantor (other than a member of the Restricted Group) (the "**Topco Recoveries**") shall be applied at any time as the Security Agent sees fit, in the following order of priority:

(a) in discharging any Agent Liabilities in respect of the Topco Liabilities (to the extent related to such Topco Recoveries), the Security Agent and any receiver or delegate, on a pari passu basis;

(b) in payment of all costs and expenses incurred by any agent or Topco Creditor in connection with any realization or enforcement of the Topco Independent Transaction Security taken in accordance with

the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;

(c) for application towards the discharge of:

(i) the Topco Facility Liabilities; and

(ii) the Topco Notes Liabilities,

on a *pro rata* basis and ranking *pari passu* between paragraphs (i) and (ii) above;

(d) if none of the Debtors or Third Party Security Providers is under any further actual or contingent liability in respect of the Secured Liabilities, in payment to any other person whom the Security Agent is obliged to pay in priority to any Debtor or Third Party Security Provider; and

(e) the balance, if any, in payment to the relevant Debtor.

Option to Purchase

Certain Creditors (including the holders of the Notes) may, after an Acceleration Event or an enforcement, and subject to various conditions set out in the Intercreditor Agreement (including the grant of an acceptable indemnity against clawback to the relevant lenders or creditors and payment in relation to all costs and expenses incurred by certain other parties as a consequence of giving effect to the transfer), exercise an option to purchase in full and in cash certain of the Liabilities, at par.

Release of Security—Non Distressed Disposals

In circumstances where (i) a disposal is not a distressed disposal of an asset of a member of the Restricted Group or Third Party Security Provider which is subject to the Topco Shared Security (and which is being effected (x) in circumstances where the Transaction Security has become enforceable, (y) by enforcement of the Transaction Security or (z) after the occurrence of a Distress Event) or (ii) any transaction pursuant to which security shall be granted over any asset which is subject to transaction security would be disposed or otherwise subject to a transaction that makes a release necessary and such transaction is expressly permitted under the terms of the Senior Facilities Agreement and is not prohibited under the other Finance Documents (including the Indenture) or the applicable Agent authorizes the release in accordance with the terms of the applicable Finance Document , the Intercreditor Agreement provides that the Security Agent is irrevocably authorized and instructed to deliver:

- any release of the transaction security and any other claim over that asset;
- where that asset consists of shares in the capital of a Debtor, Guarantor or Third Party Security Provider or a Debtor or Guarantor resigns, any release of the transaction security or Topco Independent Transaction Security and any other claim over or in respect of that Debtor or Guarantor or its shares or assets; and
- to execute and deliver or enter into any release of the transaction security or Topco Independent Transaction Security or any claim described in the before mentioned paragraphs and issue any certificates of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable.

Release of Security and Guarantees—Distressed Disposals

In circumstances where a distressed disposal is being effected, the Intercreditor Agreement provides, subject to certain conditions, that the Security Agent is irrevocably authorized and instructed:

- to release the transaction security, Topco Independent Transaction Security or any other claim over the relevant asset and execute and deliver or enter into any release of that transaction security, Topco Independent Transaction Security or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;
- if the asset that is disposed of consists of shares in the capital of a Debtor, to release (i) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing liabilities, guarantee liabilities and certain other liabilities; (ii) any transaction security or Topco Independent Transaction Security granted over that Debtor's assets and the assets of any of its subsidiaries; and (iii) any other claim of a

Debtor, creditor of Structural Liabilities, Topco Investor or intra-Group lender over that Debtor's assets or over the assets of any subsidiary of that Debtor;

- if the asset that is disposed of consists of shares in the capital of any holding company of a Debtor, to release (i) that holding company and any subsidiary of that holding company from all or any part of its borrowing liabilities, guarantee liabilities and certain other liabilities; (ii) any transaction security or Topco Independent Transaction Security granted by that holding company or any subsidiary of that holding company over any of its assets; and (iii) any other claim of a Debtor, Topco Investor or intra Group lender over the assets of any holding company or any subsidiary of that holding company;
- if the asset which is disposed of consists of shares in the capital of a Debtor or any holding company of a Debtor, to dispose of all or any part of that Debtor's or the holding company of that Debtor's borrowing liabilities, guarantee liabilities, certain other liabilities (other than liabilities owed by the Debtors to creditor representatives), debtor liabilities owed by that Debtor or holding company of a Debtor to another Debtor (including Structural Liabilities owed to a creditor); and
- if the asset which is disposed of consists of shares in the capital of a Debtor or any holding company of a Debtor, to transfer Intra-Group Liabilities, debtor liabilities owed by that Debtor or holding company of a Debtor to another Debtor (including Structural Liabilities owed to a creditor).

Any net proceeds of the disposal must be applied in accordance with the enforcement proceeds waterfall described under "*—Application of Proceeds*".

Amendment

The Intercreditor Agreement provides that, subject to certain exceptions, its terms may be amended or waived only with the consent of the Issuer, the agents and trustees for the Secured Parties, and the Security Agent, provided that, to the extent that an amendment, waiver or consent only affects one class of creditors, and such amendment, waiver or consent could not reasonably be expected materially or adversely to affect the interests of the other classes of creditors, only written agreement from the agent or trustee acting on behalf of the affected class shall be required.

An amendment or waiver of the Intercreditor Agreement that has the effect of changing or which relates to, among other matters, the provisions set out under "*—Application of Proceeds*" above and the order of priority or subordination under the Intercreditor Agreement shall not be made without the consent of each of the agents or trustees (acting in accordance with the relevant finance documents) under the Senior Liabilities, the Super Senior Liabilities and the Topco Liabilities, all of the Senior Lenders under the Facilities Agreement, each Hedge Counterparty (to the extent that the amendment or waiver would adversely affect the Hedge Counterparty) and the Security Agent.

Each agent or trustee shall, to the extent instructed to consent by the requisite percentage of creditors it represents or as otherwise authorized by the Debt Documents to which it is party, act on such instructions or authorizations in accordance therewith (save to the extent any amendments so consented or authorized to relate to any provision affecting the personal rights and obligations of that agent or trustee in its capacity as such).

The Intercreditor Agreement includes provisions which can result in a party's participation being deemed zero for the purpose of calculating the percentage of necessary consents by the members of a relevant group in regard to amendments and waivers (snooze/lose).

The Intercreditor Agreement also permits the Security Agent (subject to the terms of any Credit Facility) to enter into new or supplemental security and/or release and retake transaction security if certain conditions are met.

Governing law

The Intercreditor Agreement and any non-contractual obligations arising out of or in connection with it are governed by and construed and enforced in accordance with English law.

DESCRIPTION OF THE NOTES

CHEPLAPHARM Arzneimittel GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under German law (the "**Issuer**") will issue €500.0 million aggregate principal amount of senior secured notes due 2027 (the "**Notes**") under an indenture to be dated as of the Issue Date (the "**Indenture**"), among, *inter alios*, the Issuer, Deutsche Trustee Company Limited as trustee (the "**Trustee**"), Deutsche Bank Luxembourg S.A. as security agent (the "**Security Agent**"), Deutsche Bank AG, London Branch as paying agent (the "**Paying Agent**") and Deutsche Bank Luxembourg S.A. as transfer agent (in such capacity, the "**Transfer Agent**") and registrar (in such capacity, the "**Registrar**"). In this "*Description of the Notes*", the term "**Issuer**" refers to CHEPLAPHARM Arzneimittel GmbH only and not to any of its Subsidiaries, and the term "**Parent**" refers to CheplaFinance 2 GmbH only and not to any of its Subsidiaries. The Indenture will not be qualified under, or be subject to, the U.S. Trust Indenture Act of 1939, as amended.

The following describes the material provisions of the Notes, the Indenture, the Note Guarantees, the Security Documents and refers to the Intercreditor Agreement and is subject, and is qualified in its entirety by reference, to all of the provisions of the Notes, the Indenture, the Security Documents and the Intercreditor Agreement. We urge you to read the Indenture, the Notes, the Note Guarantees, the Security Documents and the Intercreditor Agreement because they, and not this description, define your rights as holders of the Notes. Copies of the Indenture, the Notes, the Security Documents and the Intercreditor Agreement are available as set forth under "*Listing and General Information*". You can find the definitions of certain terms used in this description under the subheading "*—Certain Definitions*".

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.

General

The Notes

The Notes will:

- constitute senior obligations of the Issuer;
- rank equal in right of payment with all of the Issuer's existing and future obligations that are not subordinated in right of payment to the Notes (including obligations under the Senior Facilities Agreement and any hedging obligations);
- be secured by the Collateral (as defined below) along with the obligations under the Senior Facilities Agreement and certain other obligations;
- rank senior in right of payment to any existing and future subordinated Indebtedness of the Issuer;
- rank effectively senior in right of payment to any existing or future unsecured obligations of the Issuer, to the extent of the value of the Collateral (as defined below) that is available to satisfy the obligations of the Issuer under the Notes;
- be effectively subordinated to the Issuer's existing and future secured Indebtedness that is secured by property or assets that do not secure the Notes, to the extent of the value of such property or assets securing such Indebtedness; and
- be structurally subordinated to all existing and future obligations of the Issuer's Subsidiaries that do not guarantee the Notes.

The Note Guarantees

From the Issue Date, the Notes will initially be guaranteed (the "**Parent Guarantee**") on a senior, limited-recourse basis by the Parent and, as a result, the Parent Guarantee will be limited to the proceeds from enforcement of the pledge over the issued share capital of the Issuer. However, the Parent will be subject to only certain covenants under the Indenture.

The Issuer may from time to time be required to procure from certain of its Subsidiaries (each, a "**Guarantor**") the issuance of additional guarantees pursuant to the provisions set forth under "*—Covenants—Future Guarantors*" below (any such guarantee an "**Additional Note Guarantee**" and, together with the Parent Guarantee, the "**Note Guarantees**"). Any Additional Note Guarantee shall be limited as necessary to prevent the relevant Notes Guarantee from constituting a fraudulent conveyance,

preference, transfer at under value or unlawful financial assistance under applicable law, or otherwise to reflect corporate benefit rules, "thin capitalization" rules, laws on the capital maintenance, limitations of corporate law or purpose, regulations or defenses affecting the rights of creditors generally or other limitations under applicable law which, among other things, might significantly limit the amount that can be guaranteed by the relevant Guarantor. By virtue of these limitations, the obligations of such Guarantor under its Notes Guarantee could be significantly less than amounts payable with respect to the Notes or even zero. Each Guarantor that makes a payment or distribution under its Notes Guarantee will be entitled to contribution from any other Guarantor so long as the exercise of such right does not impair the rights of Holders under the Notes Guarantee.

The term "**Note Guarantees**" shall, in addition to the Parent Guarantee, also include any such Additional Note Guarantees.

Subject to the above, the Note Guarantee of each Guarantor and the Parent will:

- constitute general senior obligations of such Guarantor and in the case of the Parent, a general senior, limited recourse obligation;
- rank equal in right of payment with all of such Guarantor's or the Parent's existing and future obligations that are not subordinated in right of payment to the relevant Guarantee (including obligations under the Senior Facilities Agreement and any hedging obligations);
- be secured by the Collateral (as defined below) along with its obligations under the Senior Facilities Agreement and certain other obligations;
- rank senior in right of payment to any existing and future subordinated Indebtedness of the relevant Guarantor or the Parent;
- effectively rank senior in right of payment to any existing or future unsecured obligations of the relevant Guarantor or the Parent, to the extent of the value of the Collateral (as defined below) that is available to satisfy the obligations of the relevant Guarantor or the Parent under the applicable Note Guarantee;
- be effectively subordinated to such Guarantor's or the Parent's existing and future secured Indebtedness that is secured by property or assets that do not secure the Note Guarantee of such Guarantor or the Parent, to the extent of the value of such property or assets securing such Indebtedness;
- be structurally subordinated to any existing and future Indebtedness (including obligations to trade creditors) of the Issuer's Subsidiaries that do not guarantee the Notes; and
- be subject to the limitations described herein.

As of the Issue Date, none of our Subsidiaries will guarantee the Notes and we may establish further Subsidiaries in the future that will not guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any of these non-Guarantor Subsidiaries, the non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Issuer. For the twelve months ended September 30, 2019, the Issuer (before consolidating effects) represented 100.4% of our consolidated EBITDA and, as of September 30, 2019, the Issuer represented 100.0% of our total assets. See "*Risks Factors—Risks Related to our Structure—The Notes and the Guarantee will each be structurally subordinated to the liabilities and preference shares (if any) of our subsidiaries*".

Additional Notes

The Issuer may, without the consent of the Holders, issue additional Notes (the "**Additional Notes**") under the Indenture from time to time after this offering having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date, the commencement of interest payment obligations and/or the issue price). Any issuance of Additional Notes is subject to all of the covenants in the Indenture including the covenant described below under "*—Covenants—Limitation on Indebtedness*". Any Additional Notes subsequently issued under the Indenture will be consolidated with, form a single series with and increase the aggregate principal amount of the Notes. Unless the context requires otherwise, references in this "*Description of the Notes*" to the Notes include the Notes and any Additional Notes that are issued.

Principal and Maturity

The Issuer will issue €500.0 million aggregate principal amount of Notes in this offering. The Notes will mature on February 11, 2027 (the "**Maturity Date**") at their principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the Maturity Date. The Notes will be issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.

Interest

Interest on the Notes will accrue on their outstanding aggregate principal amount at the rate of 3.500% per annum from and including the Issue Date to but excluding the Maturity Date and will be payable semi-annually in arrears on February 15 and August 15 of each year commencing on August 15, 2020 to the Holder of record of such Notes on the immediately preceding business day. The Notes shall cease to bear interest at the end of the day immediately preceding the relevant due date for repayment. Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months on the aggregate nominal amount outstanding.

If interest is to be calculated for a period of less than one year (a "**Calculation Period**") it shall be calculated on the basis of the Day Count Fraction. "**Day Count Fraction**" means with regard to the calculation of interest on any Note for any Calculation Period the number of days in the Calculation Period divided by 360, the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months on the aggregate nominal amount outstanding.

A Default shall occur, irrespective of any notice, if any amounts payable under the Notes are not paid when due. Any due and unpaid amount of principal shall, irrespective of any notice and for so long as such Default remains outstanding, bear additional default interest at a rate equal to one percent per annum from and including the relevant due date to but excluding the date of payment.

The rights of Holders to receive the payments of interest on such Notes will be subject to the relevant procedures of the common depositary and Euroclear and Clearstream. If a particular interest payment date is not a Business Day, then the payment date will move to the next Business Day, and the Holders of such Notes will not be entitled to any further interest or other payment as a result of any such delay.

Methods of receiving payments on the Notes

Principal, interest and premium and Additional Amounts, if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to Notes represented by one or more Global Notes registered in the name of or held by a common depositary for Euroclear and Clearstream, or its nominee, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, interest and premium 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 the City of London. In addition, interest on the Definitive Registered Notes may be paid, at the option of the Issuer, by check mailed to the address of the Holder entitled thereto, or by bank transfer to an account denominated in the currency of the Notes as shown on the register of Holders of Notes for the Definitive Registered Notes. See "*—Paying Agent and Registrar for the Notes*".

Book-entry; Delivery and Form

The Notes will be issued in global registered form without interest coupons, as follows:

- Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "**144A Global Notes**"). The 144A Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.
- 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 Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes ("**Book-Entry Interests**") will be limited to Persons that have accounts with Euroclear or Clearstream or Persons that may hold interests through such participants.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Transfer Restrictions*". In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Notes (the "**144A Book-Entry Interests**") may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes (the "**Regulation S Book-Entry Interests**") only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount and integral multiples of €1,000 in excess thereof, in each case 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 "*Transfer Restrictions*".

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, 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 Registrar and the Transfer Agent are not required to register the transfer or exchange of any Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of 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 with respect to such Notes; 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 Agent, the Transfer Agent and the Registrar will be entitled to treat the registered Holders of Notes as the owners thereof for all purposes.

Security; Release of Collateral

As of the Issue Date, the payment obligations of the Issuer under the Notes and the Parent under the Parent Guarantee will be secured by the following collateral (subject to any Permitted Collateral Liens,

applicable perfection requirements and exceptions and limitations described herein) (collectively, the "**Collateral**"):

(a) a first-priority pledge over all the shares in the Issuer;

(b) a first-priority assignment of claims under shareholder loans granted by the Parent to the Issuer and its Restricted Subsidiaries;

(c) a first-priority assignment by the Issuer of payment claims against its Restricted Subsidiaries;

(d) a first-priority pledge over the Issuer's bank accounts kept in Germany; and

(e) a first-priority pledge over certain stock in listed companies held by the Issuer for investment purposes.

In determining whether and what additional collateral and guarantees may be provided, the Agreed Security Principles as set forth in the Senior Facilities Agreement will be taken into account, including the following:

- general law and statutory limitations, financial assistance, capital maintenance, corporate benefit, fraudulent preference, insolvency or "thin capitalization" rules, retention of title claims and similar principles may limit the ability of a member of the group to provide a guarantee or security or may require that the guarantee or security be limited by an amount or otherwise;
- in determining whether or not security shall be taken or perfected due regard shall be made to the applicable cost and a cost/benefit analysis, which shall include that no incremental costs must be incurred and no administrative burden or material inconvenience to the ordinary course of operations of the provider of any security interest must be assumed which is disproportionate to the benefit obtained by the beneficiaries of that security interest;
- certain supervisory board, works council or other external body consent or advice may be required to enable a member of the group to provide a guarantee or security; such guarantee and/or security shall not be provided unless such consent or advice has been received provided that reasonable endeavors have been used by the relevant member of the group to obtain the relevant consent or advice to the extent reasonably practicable and permissible by law, regulation and custom;
- any assets subject to bona fide third-party arrangements which are permitted by the terms of the Senior Facilities Agreement and which prevent those assets from being charged will be excluded from any relevant Security Document, *provided* that all reasonable endeavours to obtain consent to subject any such assets to transaction security shall be used by the relevant security grantor if the relevant asset is material and *provided* that all share pledges will create first priority security over the shares pledged (subject to any pre-existing security permitted by the terms of the Senior Facilities Agreement over companies which become members of the group after the Issue Date); and
- members of the group will not be required to give guarantees or enter into Security Documents if (or to an extent) it is not within the legal capacity of the relevant members of the group or if the same would entail a significant risk of violating the fiduciary duties of those directors or contravening any contractual or legal prohibition or restriction or resulting in personal or criminal liability on the part of any officer.

Furthermore, any assets (other than shares and intra group receivables) subject to pre-existing third-party arrangements which are permitted by the Indenture and which prevent those assets from being charged will be excluded from any relevant Security Document. Also, no guarantee or security shall be required from any member of the group that is a non-wholly owned member of the group and no security will be required over the shares held by any member of the group in a non-wholly owned member of the group unless is becomes directly or indirectly a wholly-owned member of the Restricted Group (and qualify as a material company).

Applicable law may require that a security interest in certain assets can only be properly perfected and its priority retained through certain actions which, in the case of some Collateral, will not be completed until after the Issue Date

The Collateral will be pledged pursuant to the Security Documents to the Security Agent on behalf of the Holders of the Notes and holders of the other secured obligations that are secured by the Collateral (including obligations under the Senior Facilities Agreement). Any additional security interests that may in

the future be pledged to secure obligations under the Notes and the Note Guarantees would also constitute Collateral.

Subject to certain conditions, including compliance with the covenants described under "*—Covenants—Impairment of Security Interest*" and "*—Covenants—Limitation on Liens*", the Parent, the Issuer and its Restricted Subsidiaries will be permitted to grant security over the Collateral in connection with certain future issuances of Indebtedness of the Parent, the Issuer or its Restricted Subsidiaries, including any Additional Notes, in each case, as permitted under the Indenture and the Intercreditor Agreement.

The Liens on the Collateral will be limited as necessary to recognize certain limitations arising under or imposed by local law and defenses generally available to providers of Collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law. For a brief description of such limitations, see "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and Security Interests*".

The proceeds from the sale of the Collateral may not be sufficient to satisfy the obligations owed to the Holders of Notes and the creditors of other obligations secured thereby. No appraisals of any Collateral have been prepared by or on behalf of the Issuer, the Security Agent or the Trustee in connection with the 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 Collateral may not be sufficient to secure the obligations under the Notes*".

The relative priority with regard to the security interests in the Collateral that are created by the Security Documents as between (a) the Trustee, the Security Agent and the Holders of the Notes under the Indenture and (b) the creditors of certain other Indebtedness permitted to be secured by the Collateral, respectively, is established by the terms of the Intercreditor Agreement and the Security Documents, which provide, among other things, that the obligations under the Senior Facilities Agreement and the Notes are secured equally and ratably by first priority security interests. In addition, pursuant to the Intercreditor Agreement or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged to secure other Indebtedness. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*", "*—Covenants—Impairment of Security Interest*" and "*—Certain Definitions—Permitted Collateral Liens*".

References to "first priority" security interests include security interests that were created second in time and thus in ranking but are contractually *pari passu* first-priority and entitled to equal treatment with other first-priority security secured creditors by virtue of the Intercreditor Agreement.

Under the Security Documents, the Issuer and the Parent will grant security over the Collateral to secure the payment when due of, among others, the Issuer's and the Parent's payment obligations under the Notes, the Note Guarantees and the Indenture. The Security Documents have been or will be entered into by, among others as the case may be, 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 the Trustee, the Holders of Notes from time to time and the Senior Facilities Lenders). The Holders of Notes may only act through the Security Agent in accordance with the terms of the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement.

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 were successful, the Holders of Notes might not be able to recover any amounts under the Security Documents. See "*Risk Factors—Risks Related to the Notes—It may be difficult to realize the value of the Collateral securing the Notes*".

Subject to the terms of the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement, the Issuer and the Parent will have the right to remain in possession and retain exclusive control of the Collateral securing Notes, to freely operate the property and assets constituting Collateral and to collect, invest and dispose of any income therefrom (including any and all dividends, distributions or similar cash and non-cash payments in respect of Capital Stock that is part of the Collateral).

The Security Agent will release the security interest in respect of the Collateral under one or more of the following circumstances:

(a) in connection with any sale, exchange, assignment, transfer, conveyance or other disposition of such property or assets to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale, exchange, assignment, transfer, conveyance or other disposition does not violate the provisions described under "*—Covenants—Limitation on Sales of Assets*" below and is otherwise in compliance with the Indenture;

(b) in the case of a Guarantor that is released from its Note Guarantee pursuant to the terms of the Indenture, the release of the property, assets and Capital Stock, of such Guarantor which was part of the Collateral;

(c) if the Issuer designates any of its Restricted Subsidiaries to be an Unrestricted Subsidiary as permitted under and in compliance with the Indenture, the release of the property, assets and Capital Stock of such Restricted Subsidiary;

(d) upon payment in full of principal, interest and all other obligations on the Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";

(e) upon redemption of all the Notes;

(f) in connection with an enforcement action taken by certain secured creditors of the Issuer and its Restricted Subsidiaries in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement;

(g) as provided for under "*—Amendments and Waivers*";

(h) with respect to any property or assets that become Collateral securing the Notes and/or any Note Guarantee pursuant to clause (a)(ii) of the covenant "*—Limitation on Liens*", upon the release and discharge (other than as a result of an enforcement action) of the Initial Lien, to the extent that such Lien does not secure any other Pari Passu Indebtedness;

(i) in accordance with the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(j) as a result of a transaction permitted by the covenant described below under "*—Covenants—Merger and Consolidation*"; or

(k) as otherwise permitted in accordance with the Indenture.

The Security Agent shall be entitled to accept such Officers' Certificate and Opinion of Counsel as sufficient evidence of compliance with this paragraph, in which event it shall be conclusive and binding on the Holders.

The Security Agent will take all necessary action required to effectuate any release of Collateral securing the Notes and the Note Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document. 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.

Intercreditor Agreement

The relative rights of certain creditors of the Issuer under its financing arrangements, including without limitation, the Senior Facilities Agreement, the Notes, the Note Guarantees and certain hedging obligations, will be governed by the Intercreditor Agreement entered into on July 6, 2018, as amended and restated from time to time, between, among others, the Issuer, the Senior Facilities Lenders and the Security Agent and to be acceded by the Trustee on or prior to the Issue Date. Any proceeds received upon any enforcement action over any Collateral, after all obligations owing to the Security Agent, any receiver or delegate have been repaid from such recoveries, will be applied *pro rata* in repayment of all obligations under the Senior Facilities Agreement, the Indenture and the Notes and any other Pari Passu Indebtedness of the Issuer and the Guarantors permitted to be incurred and secured by the Collateral pursuant to the Indenture and the Intercreditor Agreement. For further details, see under "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

Release of Note Guarantees

A Note Guarantee shall be released and discharged, automatically, unconditionally and without further action on the part of the Security Agent or the Trustee:

(a) (i) except for the Parent Guarantee, upon a sale, exchange, assignment, transfer, conveyance or other disposition (including by way of consolidation or merger) of any Capital Stock of the relevant Guarantor (whether by direct sale or sale of a holding company as a result of which such Guarantor would no longer be a Restricted Subsidiary) or (ii) in connection with any sale, exchange, assignment, transfer, conveyance or other disposition of all or substantially all of the assets of a Guarantor to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, in each case, if the sale, exchange, assignment, transfer, conveyance or other disposition does not violate the provisions described under "*—Covenants—Limitation on Sales of Assets*" below and is otherwise in compliance with the Indenture;

(b) upon the release of the Guarantee of Indebtedness that resulted in the creation of the relevant Note Guarantee under the covenant described below under "*—Covenants—Future Guarantors*" so long as no Event of Default would arise as a result and no other Indebtedness of the Issuer or any Guarantor at that time is Guaranteed by the relevant Guarantor;

(c) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in "*—Legal Defeasance or Covenant Defeasance*" and "*—Satisfaction and Discharge*";

(d) upon redemption of all the Notes;

(e) if the Issuer designates a Guarantor as an Unrestricted Subsidiary as permitted under and in compliance with the Indenture;

(f) in accordance with the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreement or Security Document;

(g) as a result of a transaction permitted by the covenant described below under "*—Covenants—Merger and Consolidation—The Guarantors*"; or

(h) as provided for under "*—Amendments and Waivers*".

No release and discharge of a Note Guarantee pursuant to clauses (b) and (e) above shall be effective (i) if a Default or an Event of Default has occurred and is continuing under the Indenture as of the time of such proposed release and discharge until such time as such Default or Event of Default is cured or waived and (ii) if so requested by the Security Agent, until the Issuer shall have delivered to the Security Agent (x) an Officers' Certificate and (y) Opinion of Counsel, each stating that all conditions precedent set forth in the Indenture have been fulfilled and that such release and discharge is authorized and permitted pursuant to the Indenture. The Security Agent shall be entitled to accept such Officers' Certificate and Opinion of Counsel as sufficient evidence of the satisfaction of such conditions precedent, in which event it shall be conclusive and binding on the Holders.

Upon any occurrence giving rise to a release of a Note Guarantee, as specified above, the Security Agent, subject to receipt of certain documents from the Issuer, the Parent or a Guarantor, will take all necessary action and execute any documents, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, reasonably required in order to evidence such release, discharge and termination in respect of any Note Guarantee to be released as described above. None of the Issuer, the Parent nor any Guarantor will be required to make a notation on the Notes to reflect any such release, discharge or termination.

Restricted Subsidiaries

As of the Issue Date, all of the Subsidiaries of the Issuer will be "Restricted Subsidiaries". However, under the circumstances described below under "*—Covenants—Restricted and Unrestricted Subsidiaries*", the Issuer will be permitted to designate Restricted Subsidiaries as "Unrestricted Subsidiaries". Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture and will not guarantee the Notes.

Paying Agent, Registrar and Transfer Agent

The Issuer will maintain one or more paying agents (each, a "**Paying Agent**" and, together, the "**Paying Agents**") for the Notes. The initial Paying Agent will be Deutsche Bank AG, London Branch.

Upon written notice to the Trustee, the Issuer may change the Paying Agents, the Registrar or the Transfer Agent without prior notice to the holders of the Notes. For so long as the Notes are listed on the Official List of the Exchange and the rules of the Exchange so require, the Issuer will notify the Exchange of any change of the Paying Agent, the Registrar or the Transfer Agent.

In addition, the Issuer or any of its Subsidiaries may act as paying agent in connection with the Notes, *provided*, however in no event may the Issuer act as Paying Agent or appoint a Paying Agent in any member state of the European Union where the Paying Agent would be obliged to withhold or deduct tax in connection with any payment made by it in relation to the Notes unless the Paying Agent would be so obliged if it were located in all other member states. The Issuer will make payments on the Global Notes to the Paying Agent for further credit to Euroclear or Clearstream (as applicable) which will in turn, distribute such payments in accordance with its procedures. The Issuer will make all payments in same-day funds.

The Issuer will also maintain one or more registrars (each a "**Registrar**") and one or more transfer agents (each a "**Transfer Agent**"). The initial Registrar for the Notes will be Deutsche Bank Luxembourg S.A.. The initial transfer agent will be Deutsche Bank Luxembourg S.A. No service charge will be made for any registration of a transfer, exchange or redemption of the Notes, but, in certain circumstances, the Issuer may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection with any such registration of transfer or exchange.

Payment of Additional Amounts

All payments by or on behalf of the Issuer or, pursuant to the terms of the relevant Note Guarantee, any present or future Guarantor (including the Parent) or any successor of any of the foregoing (each a "**Payor**") under or with respect to the Notes or any Note Guarantee shall be made free and clear of and without withholding or deduction for or on account of any Taxes, unless the deduction or withholding of such Taxes is required by law. If any withholding or deduction for, or on account of, any Taxes imposed by or on behalf of or levied within (i) the Federal Republic of Germany, (ii) any jurisdiction from or through which payment on the Notes or a Note Guarantee is made for or on behalf of a Payor, (iii) any other jurisdiction in which a Payor is organized or otherwise considered to be resident or has a permanent establishment for tax purposes or any (iv) province, municipality or other political subdivision or taxing authority in or of any such jurisdiction under foregoing (i) through (iii) (any such jurisdiction under foregoing (i) through (iv) a "**Relevant Tax Jurisdiction**"), will at any time be required to be made from any payments made by or on behalf of the Issuer or any Guarantor (including the Parent) under or with respect to the Notes or any Note Guarantee, the relevant Payor shall pay (together with such payment) such additional amounts as may be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction (including any deduction or withholding from such additional amounts) shall equal the respective amounts of principal and interest that would have been receivable in respect of the relevant Notes, in the absence of such deduction or withholding (the aggregate of such additional amounts, "**Additional Amounts**"), except that no such Additional Amounts shall be payable with respect to:

(a) any Taxes, to the extent such Taxes are withheld, deducted or imposed by reason of the Holder or beneficial owner of a Note (or a fiduciary, settler, 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) having, or having had, some personal or business connection with the Relevant Tax Jurisdiction (other than the mere acquisition, ownership, holding or disposition of such Note, the enforcement of rights under such Note or under a Note Guarantee, or the receipt of any payments in respect of such Note or Note Guarantee);

(b) any Taxes that are payable otherwise than by deduction or withholding from a payment on or with respect to the Notes or any Note Guarantee, including for the avoidance of doubt any German withholding tax (*Kapitalertragsteuer*), plus solidarity surcharge (*Solidaritätszuschlag*) thereon, levied in Germany by a custodian bank or a disbursing agent acting on behalf of the Holder;

(c) any Taxes imposed on a payment on a Note presented for payment (where presentation is required for payment) by or on behalf of a Holder who would have been able to avoid such Taxes by presenting the relevant Note to another Paying Agent in a member state of the European Union;

(d) any estate, inheritance, gift, sale, transfer, personal property or similar Taxes;

(e) any Taxes, to the extent such Taxes are withheld, deducted or imposed by reason of the failure of the Holder, following the written request of the Payor, the Paying Agent, or any other person acting as an agent for any Payor or the Paying Agent addressed to the Holder (and made at a time that would enable the Holder or beneficial owner acting reasonably to comply with that request, and in all events, at least 60 days before any such withholding or deduction would be required), to comply with any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of a Relevant Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Relevant Tax Jurisdiction (including, without limitation, a certification that the Holder or beneficial owner is not resident in the Relevant Tax Jurisdiction), but in each case, only to the extent the Holder or beneficial owner is legally entitled to provide such certification or documentation;

(f) any Taxes, to the extent such Taxes are withheld, deducted or imposed under section 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended, as of the date of this offering memorandum (and any amended or successor version of such sections that is substantively comparable and not materially more onerous to comply with), including any current or future Treasury regulations or other official interpretations thereunder or any law or regulation implementing an intergovernmental agreement between a non-U.S. government and the United States with respect to the foregoing;

(g) 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 (except to the extent that the Holder would have been entitled to Additional Amounts had the Note been presented on the last of day of such 30 day period);

(h) any Taxes, to the extent such Taxes are withheld, deducted or imposed on or with respect to any payments under, or with respect to, the Notes or under or with respect to any Note Guarantee by reason of the Holder being, or having been a fiduciary or partnership or any person other than the sole beneficial owner of any such payments to the extent that such Taxes would not have been imposed or required to be withheld or deducted on such payments had the beneficial owner of the applicable Notes been the holder of such Note; or

(i) any combination of items (a) through (h) above.

In cases where the deduction or withholding of Taxes on or with respect to any payments under or with respect to the Notes or with respect to any Note Guarantee is required by law to be made by a Payor, the Payor will (i) make any required withholding or deduction and (ii) timely remit the full amount deducted or withheld to the Relevant Tax Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Tax Jurisdiction imposing such Taxes and will furnish to a Holder upon written request within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of tax receipts evidencing payment by the Payor, or if, notwithstanding the Payor's efforts to obtain receipts, receipts are not obtained, other reasonably satisfactory evidence of payments by the Payor.

If the Payor becomes aware that it will be obligated to pay Additional Amounts with respect to such payment, at least 30 days prior to each date on which any payment under or with respect to the Notes or any Note Guarantee is due and payable (unless such obligation to pay Additional Amounts arises after the 45th day prior to such date, in which case it must be delivered promptly thereafter), the Payor will deliver to the Paying Agent an Officers' Certificate stating the fact that Additional Amounts will be payable, the amounts estimated to be payable and such other information necessary to enable the Paying Agent to inform the relevant Holders of the payment of such Additional Amounts in accordance with the procedures set forth in "*—Notices*" on the payment date.

The Payor will pay any present or future stamp, court or documentary taxes, or any other excise or property taxes, charges or similar levies imposed by a Relevant Tax Jurisdiction (including penalties and interest related thereto) which arise from the execution, delivery, issuance or registration of the Notes or any Note Guarantee or any other document or instrument referred to therein (other than a transfer of the

Notes), or the receipt of any payments with respect to, or enforcement of, the Notes or any Note Guarantee (limited, in the case of any such taxes, charges or levies that arise from the receipt of any payments with respect to the Notes, to any such taxes, charges or levies that are not excluded under items (a) and (c) through (h) of the first paragraph of this covenant).

Whenever in the Indenture or in this "*Description of the Notes*" there is mentioned, in any context, the payment or non-payment of principal, premium or interest, if any, or any other amount payable under or with respect to any Note or Note Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligation 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 Person to the Issuer or any Guarantor (including the Parent) is organized or otherwise considered to be resident or conducts business for tax purposes or any jurisdiction from or through which any payment on the Notes or any Note Guarantee is made by or on behalf of the Issuer or any Guarantor (including the Parent) (or any successor thereto) and any political subdivision or taxing authority or agency thereof or therein.

Currency Indemnity

The euro is the sole currency of account and payment for all sums payable by the Issuer or any Guarantors (including the Parent) under or in connection with the Notes. Any amount received or recovered in a currency other than euro (the "**Required Currency**"), which is made to or for the account of any Holder in lawful currency of any other jurisdiction (the "**Judgment Currency**"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Issuer or a Guarantor (including the Parent), shall constitute a discharge of the Issuer, the Parent's or the Guarantor's obligation under the Indenture and the Notes or Note Guarantee, as the case may be, only to the extent of the amount of the Required Currency with such Holder, as the case may be, could purchase in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of the Required Currency that could be so purchased is less than the amount of the Required Currency originally due to such Holder, as the case may be, the Issuer shall indemnify and hold harmless the Holder, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Indenture and shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

Optional Redemption

Except as set forth below and except pursuant to "*—Optional Redemption upon Certain Tender Offers*" and "*—Early Redemption for Taxation Reasons*", the Notes will not be redeemable at the Issuer's option prior to February 15, 2023.

At any time prior to February 15, 2023, the Issuer may on any one or more occasions redeem up to 40% of the original principal amount of the Notes (including the original principal amount of any Additional Notes) with the Net Cash Proceeds of one or more Equity Offerings at a redemption price of 103.500% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to but excluding the applicable redemption date (subject to the rights of Holders of Notes to receive interest on the relevant interest payment date); *provided*, however, that:

(i) at least 60% of the original principal amount of the Notes (including the original principal amount of any Additional Notes) remains outstanding after each such redemption; and

(ii) the redemption occurs within 90 days after the closing of such Equity Offering upon not less than 10 nor more than 60 days' prior notice.

At any time prior to February 15, 2023, the Issuer may on any one or more occasions redeem all or a part of the Notes upon not less than 10 nor more than 60 days' prior notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium and accrued and

unpaid interest and Additional Amounts, if any, to but excluding the applicable redemption date (subject to the rights of Holders of Notes to receive interest on the relevant interest payment date).

At any time prior to February 15, 2023, 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) 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).

At any time on or after to February 15, 2023, the Issuer may on any one or more occasions redeem all or a part of the Notes, upon not less than 10 nor more than 60 days' notice, at the redemption prices (expressed as a percentage of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, to but excluding the applicable redemption date, if redeemed during the twelve-month period beginning on February 15 of the years indicated below, subject to the rights of Holders of Notes to receive interest on the relevant interest payment date:

2023	101.750%
2024	100.875%
2025 and thereafter	100.000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date. If the due date for any redemption payment in respect of the Note is not a Business Day, payment shall be made on the next succeeding day that is a Business Day and no interest shall accrue for the intervening period.

Optional Redemption upon Certain Tender Offers

In connection with any tender for, or other offer to purchase, the Notes, if Holders of not less than 90% of the aggregate principal amount of the then outstanding Notes validly tender and do not validly withdraw such Notes in such tender offer and the Issuer, or any third party making such tender offer in lieu of the Issuer, purchases all of the Notes validly tendered and not validly withdrawn by such Holders, all of the Holders of Notes shall be deemed to have consented to such tender offer or other offer and, accordingly, the Issuer or such third party will have the right upon not less than 10 and not more than 60 days' notice following such purchase date, to redeem all Notes that remain outstanding following such purchase at a price equal to the price (excluding any early tender premium or similar payment) paid to each other Holder in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest thereon, to, but excluding, the date of such redemption.

Early Redemption for Taxation Reasons

If (i) any Payor becomes obligated to pay Additional Amounts as set forth under "*—Payment of Additional Amounts*" above, (ii) such obligation cannot be avoided by the taking of reasonable measures available to the Payor and (iii) the requirement arises as a result of:

(a) any change in or amendment to, the laws or treaties (or any regulations, or rulings promulgated thereunder) of the Relevant Tax Jurisdiction which change or amendment has not been publicly announced as formally proposed before, and which becomes effective on or after, the Issue Date or, if a Relevant Tax Jurisdiction has changed since the Issue Date, the date on which such Relevant Tax Jurisdiction became an applicable Relevant Tax Jurisdiction pursuant to the Indenture (the "**Relevant Tax Jurisdiction Date**"); or

(b) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change, amendment, application or interpretation has not been publicly announced as formally proposed before, and becomes effective on or after, the Relevant Tax Jurisdiction Date (each of the foregoing in clauses (a) and (b), a "**Change in Tax Law**"),

the Notes may be redeemed, in whole but not in part, at the option of the Issuer, upon not less than 10 days' nor more than 60 days' prior notice of redemption at 100% of the outstanding principal amount thereof together with accrued and unpaid interest, if any, to but excluding the date fixed for redemption (a "**Tax Redemption Date**") and Additional Amounts, if any, then due and that will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts, if any, in respect thereof).

Prior to giving any notice of redemption pursuant to this provision, the Issuer shall deliver to the Trustee (i) an Officers' Certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an Opinion of Counsel qualified under the laws of the Relevant Tax Jurisdiction to the effect that the Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee shall be entitled to accept such Officers' Certificate and Opinion of Counsel as sufficient evidence of the satisfaction of such conditions precedent, in which event it shall be conclusive and binding on the Holders.

No notice of redemption pursuant to this provision may be given (i) earlier than 60 days prior to the earliest date on which the Payor would be obligated to pay such Additional Amounts were a payment in respect of the Notes then due, or (ii) if at the time such notice is given, such obligation to pay such Additional Amounts does not remain in effect.

The foregoing provisions will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is incorporated or organized or any political subdivision or taxing authority or agency thereof or therein.

Notices

If less than all of the Notes are to be redeemed at any time, the Paying Agent or the Registrar will select Notes for redemption on a *pro rata* basis or in accordance with the procedures of Clearstream and Euroclear (as applicable), unless otherwise required by law or applicable stock exchange or depository requirements. Neither the Paying Agent nor the Registrar will be liable for any selections made by it in accordance with this paragraph.

For so long as the Notes are listed on the Exchange and the rules of the Exchange so require, the Issuer shall publish notice of redemption in accordance with the prevailing rules of the Exchange and in addition for such publication, not less than 10 nor more than 60 days prior to the redemption date (except as permitted below), mail such notice to Holders of the Notes by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar with a copy to the Trustee and the Paying Agent. In the case of Global Notes, such notice of redemption may also be sent in accordance with the rules and procedures of Clearstream or Euroclear (as applicable). On and after the redemption date, interest ceases to accrue on the Notes or the part of the Notes called for redemption.

If any Notes are to be redeemed in part only, the notice of redemption shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Global Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Notes called for redemption become due on the date fixed for redemption.

The Issuer may acquire Notes by means other than a redemption, whether by tender offer, open market purchase, negotiated transactions or otherwise, in accordance with applicable laws, as long as such transaction does not otherwise violate the Indenture.

Mandatory Redemption

The Issuer is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

Repurchase at the Option of Holders upon a Change of Control

If a Change of Control occurs, each Holder shall have the right to require the Issuer to repurchase all or any part (equal to €100,000 or an integral multiple of €1,000 in excess thereof) of such Holder's Notes at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to but excluding the applicable purchase date (the "**Change of Control Purchase Price**"), subject to the rights of Holders of Notes to receive interest on the relevant interest payment date.

No later than 30 days following any Change of Control, the Issuer shall give written notice in accordance with the procedures set forth in "*—Notices*" below, with a copy to the Trustee, stating:

(a) that a Change of Control has occurred or may occur and that each Holder has the right to require the Issuer to purchase such Holder's Notes at the Change of Control Purchase Price (the "**Change of Control Payment**");

(b) the repurchase date (the repurchase date so stated the "**Change of Control Payment Date**"), which date shall be no earlier than 30 days nor later than 60 days from the date such notice is given;

(c) the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased;

(d) that, if such notice is given prior to the occurrence of a Change of Control, the Change of Control Offer is conditional on the occurrence of such Change of Control;

(e) the circumstances and relevant facts regarding such Change of Control;

(f) that any Note accepted for Change of Control Payment will cease to accrue interest after the Change of Control Payment Date unless the Change of Control Purchase Price is not paid; and

(g) that any Note (or part thereof) not tendered will continue to accrue interest (the offer so being made the "**Change of Control Offer**").

The Issuer shall not be required to make the Change of Control Offer upon a Change of Control if (i) a third party makes an offer in a manner, at the times and otherwise in compliance with the requirements set forth in the 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 or (ii) a notice of redemption has been given pursuant to the Indenture as described above under "*—Optional Redemption*", unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

For so long as the Notes are listed the Exchange and the rules of such exchange so require, the Issuer will notify the Exchange of any Change of Control Offer.

Except as otherwise set forth under this heading "*—Repurchase at the Option of Holders upon a Change of Control*", the Indenture will not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction that may adversely affect the Holders if such transaction does not constitute a Change of Control. The Change of Control provisions described under this heading "*—Repurchase at the Option of Holders upon a Change of Control*" may deter certain mergers, tender offers and other takeover attempts involving the Issuer by increasing the capital required to effectuate such transactions.

The Issuer will comply with the requirements of any applicable securities laws or regulations in connection with the repurchase of Notes. To the extent that the provisions of any securities laws or regulations conflict with provisions of the 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.

The definition of "Change of Control" includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Issuer and its Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuer and its Restricted Subsidiaries taken as a whole. As a result, it may be unclear as to whether a

Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

If a Change of Control Offer is made, there can be no assurance that the Issuer will have sufficient funds or other resources to pay the Change of Control Payment for all the Notes that might be delivered by Holders thereof seeking to accept the Change of Control Offer, see "*Risk Factors—Risks Related to our Structure—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 holders of the Notes protection in the event of certain important corporate events*".

Covenants

Limitation on Indebtedness

The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness); *provided*, however, that the Issuer and any Guarantor may Incur Indebtedness (including Acquired Indebtedness) if (i) on the date thereof and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof) (x) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would have been at least 2.00 to 1.00, and (y) to the extent such Indebtedness is purported to be secured by a Lien, the Consolidated Secured Net Debt Ratio of the Issuer and its Restricted Subsidiaries would be no greater than 3.75 to 1.00 and (ii) no Event of Default shall have occurred and be continuing or would occur as a consequence of Incurring the Indebtedness.

The foregoing paragraph shall not prohibit the Incurrence of the following Indebtedness:

(i) Indebtedness of the Issuer or any Guarantor Incurred pursuant to and in compliance with a Credit Facility (including under ancillary facilities made available under such Credit Facility) in an aggregate principal amount not to exceed (A) the greater of (x) €400 million and (y) 90% of Consolidated EBITDA, plus (B) in the case of any refinancing of any Indebtedness permitted under this clause (i) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(ii) Indebtedness of the Issuer or any Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided*, however, that

  (A) if the Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or a Guarantor, such Indebtedness must be unsecured and to the extent legally permitted (the Issuer and its Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness) expressly subordinated to the prior payment in full in cash of all obligations then due with respect to the Notes, in the case of the Issuer, or the relevant Note Guarantee, in the case of a Guarantor; and

  (B) (x) any subsequent issuance or transfer of Capital Stock that results in any such Indebtedness being held by a Person other than the Issuer or a Restricted Subsidiary; and (y) any sale or other transfer of any such Indebtedness to a Person that is neither the Issuer nor a Restricted Subsidiary, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (ii);

(iii) any Refinancing Indebtedness Incurred in respect of any Indebtedness Incurred pursuant to the first paragraph of this covenant "*—Limitation on Indebtedness*" or clause (iv), (v), or (x) or this clause (iii);

(iv) Indebtedness outstanding on the Issue Date after giving effect to the relevant transactions described under "*Summary—The Transactions*" (other than any Indebtedness Incurred under any Credit Facility permitted under clause (i) above or any Indebtedness incurred pursuant to clause (ii), (vi) or (vii));

(v) Indebtedness Incurred by the Issuer and the Guarantors represented by the Notes to be issued on the Issue Date and the Note Guarantees in respect of these Notes;

(vi) Indebtedness under Hedging Obligations of the Issuer or any of its Restricted Subsidiaries that is Incurred in the ordinary course of business and not for speculative purposes;

(vii) Indebtedness Incurred under a Guarantee by any Guarantor of Indebtedness of the Issuer or any Restricted Subsidiary to the extent that the guaranteed Indebtedness was permitted to be Incurred by another provision of this covenant "*—Limitation on Indebtedness*"; *provided*, however, that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes or a Note Guarantee, then the Guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

(viii) Indebtedness Incurred after the Issue Date in respect of workers' compensation claims, early retirement obligations, or social security or wage taxes in the ordinary course of business;

(ix) Indebtedness of the Issuer or any Restricted Subsidiary represented by Capitalized Lease Obligations, Purchase Money Obligations or other Indebtedness Incurred or assumed in connection with the acquisition or development of real or personal, movable or immovable, property or other assets (including Capital Stock), in each case Incurred for the purpose of financing or refinancing all or any part of the purchase price, lease expense, rental payments (other than lease payments or rental expenses under a capitalized lease for reporting purposes under IFRS) or cost of design, installation, construction or improvement of property used in the business of the Issuer or such Restricted Subsidiary in an aggregate principal amount pursuant to this clause (ix), including any Refinancing Indebtedness that refinances such Indebtedness, not to exceed the greater of (x) €50 million and (y) 11.5% of Consolidated EBITDA at any time outstanding; *provided* that the principal amount of any Indebtedness permitted under this clause (ix) did not in each case at the time of Incurrence exceed the Fair Market Value of the acquired or constructed asset or improvement so financed;

(x) Indebtedness (a) Incurred by the Issuer or any Guarantor and used to finance an acquisition of assets and assumption of related liabilities (if any) or (b) of any Person outstanding on the date on which such Person becomes a 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; *provided*, however, that at the time such Restricted Subsidiary is acquired (or other transaction is made) by the Issuer or another Restricted Subsidiary, (A) the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to clause (i)(x) of the first paragraph of this covenant "*—Limitation on Indebtedness*" or (B) the Fixed Charge Coverage Ratio of the Issuer would not be less than it was immediately prior to such acquisition or other transaction, in each case after giving *pro forma* effect to the Incurrence of such Indebtedness pursuant to this clause (x);

(xi) Indebtedness of the Issuer or its Restricted Subsidiaries in respect of (a) letters of credit, surety, performance or appeal bonds, completion guarantees, judgment, advance payment, customs, VAT or other tax guarantees or similar instruments issued in the ordinary course of business of such Person and not in connection with the borrowing of money, including letters of credit or similar instruments in respect of self-insurance and workers compensation obligations, (b) the financing of insurance premiums in the ordinary course of business, (c) the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business, (d) inventory financing or any guarantees thereof and (e) any customary cash management, cash pooling or netting or setting-off arrangements entered into in the ordinary course of business (as determined in good faith by the Issuer's Board of Directors); *provided*, however, that, in relation to the foregoing sub-clauses (a) through (d), upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing;

(xii) Indebtedness Incurred in any Qualified Securitization Financing;

(xiii) Subordinated Liabilities (as defined in the Intercreditor Agreement) in respect of amounts under intercompany loans arising pursuant to clause (xv) of the second paragraph under "*—Covenants—Limitation on Restricted Payments*"; and

(xiv) in addition to the items referred to in clauses (i) through (xiii) above, Indebtedness of the Issuer and any Restricted Subsidiary in an aggregate amount not exceeding €30 million outstanding at any one time; *provided* that the aggregate amount of such Indebtedness that may be incurred pursuant to this clause (xiv) by Restricted Subsidiaries that are not Guarantors shall not exceed €10 million outstanding at any one time.

For purposes of determining compliance with this "*—Limitation on Indebtedness*" covenant:

(i) in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described in the foregoing first paragraph of this covenant "*—Limitation on Indebtedness*" and clauses (i) through (xiv) of the second paragraph of this covenant, the Issuer, in its sole discretion, will be permitted to classify and may from time to time reclassify such item of Indebtedness in any manner that complies with this covenant and include the amount and type of such Indebtedness in one or more of the foregoing clauses (i) through (xiv) of the second paragraph of this covenant or pursuant to the first paragraph of this covenant; *provided* that all Indebtedness outstanding on the Issue Date under any Credit Facility shall be deemed incurred under clause (i) of the second paragraph of this covenant and not under the first paragraph of this covenant or clause (iv) of the second paragraph of this covenant and may not later be reclassified;

(ii) with respect to Indebtedness Incurred to refinance Indebtedness Incurred in reliance on a clause of this covenant "*—Limitation on Indebtedness*" measured by reference to a percentage of Consolidated EBITDA at the time of incurrence, if such refinancing would cause the relevant percentage restriction to be exceeded if calculated based on the relevant percentage of Consolidated EBITDA on the date of such refinancing, such percentage of Consolidated EBITDA shall be deemed not to be exceeded, as long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced, plus premiums (including tender premiums), defeasance, costs, fees and other expenses in connection with such refinancing;

(iii) with respect to Indebtedness Incurred under a Credit Facility, re-borrowings of amounts previously repaid pursuant to "cash sweep" or "clean down" provisions or any similar provisions under a Credit Facility that provide that Indebtedness is deemed to be repaid periodically shall only be deemed for the purposes of this covenant to have been Incurred on the date such Indebtedness was first Incurred and not on the date of any subsequent re-borrowing thereof;

(iv) for the purposes of determining Consolidated EBITDA under this covenant "*—Limitation on Indebtedness*", Consolidated EBITDA shall be measured at the option of the Issuer on the most recent date on which new commitments are obtained or on the date on which new Indebtedness is Incurred;

(v) in the event Indebtedness relates to Guarantees of Indebtedness permitted by this covenant, such Guarantees shall not be treated as an additional Incurrence of Indebtedness;

(vi) the principal amount of any Disqualified Stock of the Issuer or a Guarantor, or preferred stock of a Restricted Subsidiary that is not a Guarantor, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(vii) the amount of any Indebtedness outstanding as of any date will be:

  (A) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

  (B) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

  (C) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

    (x) the Fair Market Value of such assets at the date of determination; and

    (y) the amount of the Indebtedness of the other Person;

(viii) for purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency will be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness Incurred under a revolving Credit Facility; *provided* that:

  (A) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date will be calculated based on the relevant currency exchange rate in effect on the Issue Date; and

(B) if for so long as any such Indebtedness is subject to an agreement intended to protect against fluctuations in currency exchange rates with respect to the currency in which such Indebtedness is denominated covering principal and interest on such Indebtedness, the amount of such Indebtedness, if denominated in euro will be the amount of the principal payment required to be made under such currency agreement and, otherwise, the Euro Equivalent of such amount plus the Euro Equivalent of any premium which is at such time due and payable but is not covered by such currency agreement;

(ix) the principal amount of any Refinancing Indebtedness Incurred in the same currency as the Indebtedness being refinanced will be the Euro Equivalent of the Indebtedness refinanced determined as of the date such Indebtedness was originally Incurred, except that to the extent that:

(A) such Euro Equivalent was determined based on an agreement intended to protect against fluctuations in currency exchange rates, in which case the Refinancing Indebtedness will be determined in accordance with sub-clause (B) of clause (viii) above; and

(B) the principal amount of the Refinancing Indebtedness exceeds the principal amount of the Indebtedness being refinanced, in which case the Euro Equivalent of such excess will be determined on the date such Refinancing Indebtedness is being Incurred; and

(x) when calculating the availability under any basket or ratio under the Indenture, in each case in connection with a Limited Condition Acquisition, the date of determination of such basket or ratio and of any Default or Event of Default shall, at the option of the Issuer, be the date the definitive agreements or actions for such Limited Condition Acquisition are entered into or taken, and such baskets or ratios shall be calculated with such *pro forma* adjustments as are appropriate and consistent with the *pro forma* provisions set forth in the definition of Fixed Charge Coverage Ratio or Consolidated Secured Net Debt Ratio, as applicable, after giving effect to such Limited Condition Acquisition and the other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) as if they occurred at the beginning of the applicable period for purposes of determining the ability to consummate any such Limited Condition Acquisition (and not for purposes of any subsequent availability of any basket or ratio), and, for the avoidance of doubt, (1) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in the 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 Limited Condition Acquisition, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the Limited Condition Acquisition is permitted hereunder and (2) such baskets or ratios shall not be tested at the time of consummation of such Limited Condition Acquisition or related transactions; *provided*, *further*, that if the Issuer elects to have such determinations occur at the time of entry into such definitive agreement or action, any such transactions (including any Incurrence of Indebtedness and the use of proceeds therefrom) shall be deemed to have occurred on the date the definitive agreements or action are entered or taken and outstanding thereafter for purposes of calculating any baskets or ratios under the Indenture after the date of such agreement or action and before the consummation of such Limited Condition Acquisition.

Limitation on Restricted Payments

The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, make a Restricted Payment if at the time of such Restricted Payment:

(i) a Default or Event of Default shall have occurred and be continuing (or would result from such Restricted Payment);

(ii) the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to clause (i)(x) of the first paragraph described under "*—Covenants—Limitation on Indebtedness*", after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(iii) the aggregate amount of such Restricted Payment and all other Restricted Payments (other than pursuant to (ii), (iii), (iv), (v), (vi), (vii), (viii), (ix), (x), (xiv), (xv) and (xvi)) described under the

second paragraph of this "*—Limitation on Restricted Payments*" covenant made subsequent to the Issue Date, would exceed the sum of:

(A) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the fiscal quarter commencing immediately 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 consolidated financial statements of the Issuer are available (or, in case such Consolidated Net Income is a deficit, minus 100% of such deficit), plus

(B) 100% of the aggregate Net Cash Proceeds and the Fair Market Value of marketable securities received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock) or other capital contributions subsequent to the Issue Date (other than (x) Net Cash Proceeds received from an issuance or sale of such Capital Stock to a Subsidiary of the Issuer or an employee stock ownership plan, option plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or Guaranteed by the Issuer or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination and (y) any Parent Debt Contributions) or from the issuance or sale of Subordinated Shareholder Debt (other than an issuance or sale to a Subsidiary of the Issuer) excluding in any event Net Cash Proceeds received by the Issuer from the issue and sale of its Capital Stock or capital contributions to the extent applied to redeem Notes in compliance with the provisions set forth under "*—Optional Redemption*"; plus

(C) to the extent that any Restricted Investment that was made after the Issue Date is (a) sold, disposed of or otherwise cancelled, liquidated or repaid (whether through repurchases, redemptions, repayments of principal, interest payments, dividends, distributions, returns of capital or other transfer of assets), 100% of the aggregate amount received in cash and the Fair Market Value of the property, assets or marketable securities received by the Issuer or any Restricted Subsidiary, (b) made in an entity that subsequently becomes a Restricted Subsidiary, 100% of the Fair Market Value of the Restricted Investment of the Issuer and its Restricted Subsidiaries as of the date such entity becomes a Restricted Subsidiary, or (c) in the case of a Guarantee made by the Issuer or any Restricted Subsidiary, that is fully and unconditionally released, an amount equal to the amount of such Guarantee to the extent such Guarantee reduced the capacity to make Restricted Payment pursuant to this clause (iii); plus

(D) to the extent that any Unrestricted Subsidiary of the Issuer designated as such after the Issue Date is re-designated as a Restricted Subsidiary or is merged or consolidated into the Issuer or a Restricted Subsidiary, or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, the Fair Market Value of the property and assets received by the Issuer or Restricted Subsidiary or the Issuer's Restricted Investment in such Subsidiary as of the date of such re-designation, merger, consolidation or transfer of assets, to the extent such investments reduced the restricted payments capacity under this clause (iii) and were not previously repaid or otherwise reduced; plus

(E) 100% of any cash dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary to the extent that such dividends or distributions were not otherwise included in the Consolidated Net Income of the Issuer for such period; plus

(F) 100% of the Net Cash Proceeds and the Fair Market Value of property or assets or marketable securities received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than issuance or sale to the Issuer or any Subsidiary of the Issuer or an employee stock ownership plan, option plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or Guaranteed by the Issuer or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination) by the Issuer or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock) or Subordinated Shareholder Debt (other than Parent Debt Contributions) pursuant to provisions of such Indebtedness which existed at the time of its issuance (plus the amount of any cash, and the Fair Market Value of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary less the amount of any cash, and the Fair Market Value of property or assets or marketable securities, distributed by the Issuer or any Restricted Subsidiary, in each case upon such conversion or exchange).

The provisions of the preceding paragraph shall not prohibit:

(i) the payment of any dividend within 60 days after the date of declaration thereof, if at such date of declaration such payment was permitted by the provisions of the preceding paragraph and such payment shall have been deemed to have been paid on such date of declaration;

(ii) any Restricted Payment made by exchange for, or out of the Net Cash Proceeds of the substantially concurrent sale of, Capital Stock of the Issuer (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary or an employee stock ownership plan or similar trust to the extent such sale is financed with loans or guaranteed by the Issuer or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination), Subordinated Shareholder Debt or a substantially concurrent contribution to the equity of the Issuer (other than by a Subsidiary of the Issuer and other than Parent Debt Contributions); provided that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (iii)(B) of the preceding paragraph and will not be considered to be net cash proceeds from an Equity Offering for purposes of the "*—Optional Redemption*" provisions of the Indenture;

(iii) the purchase, redemption or other acquisition for value of Capital Stock in connection with the obligations under employee or management stock option agreements or other agreements to compensate management or employees; *provided* that such redemptions or repurchases pursuant to this clause will not exceed €2 million in the aggregate during any calendar year with any unused amounts in any calendar year being carried over to the immediately following calendar year but not any subsequent calendar years;

(iv) the purchase, redemption, defeasance or other acquisition or retirement for value of any Subordinated Indebtedness made by exchange for, or out of the Net Cash Proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*";

(v) the repurchase of Capital Stock deemed to occur upon the exercise of stock options to the extent such Capital Stock represents a portion of the exercise price of those stock options;

(vi) dividends or other distributions in amounts required and used for a direct or indirect parent of the Issuer to pay interest on Indebtedness the proceeds of which have been contributed as a Parent Debt Contribution 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*"; *provided* that any amounts payable (a) as interest on any proceeds loan or other Indebtedness of the Issuer or any Restricted Subsidiary pursuant to which the Parent Debt Contribution was made, or (b) on any Guarantee or other obligation of the Issuer or any Restricted Subsidiary on such Indebtedness will, in each case, reduce the amount available for making Restricted Payments under this clause (vi);

(vii) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Issuer or any preferred stock of any Restricted Subsidiary issued on or after the Issue Date in accordance with the covenant described under "*—Limitation on Indebtedness*";

(viii) payments of cash, dividends, distributions, advances or other Restricted Payments by the Issuer or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (x) the exercise of options or warrants or (y) the conversion or exchange of Capital Stock of any such Person;

(ix) payments pursuant to any tax sharing agreement or arrangement among the Issuer and its Restricted Subsidiaries and other Persons with which the Issuer or any of its Restricted Subsidiaries is required or permitted to file a consolidated tax return or with which the Issuer or any of its Restricted Subsidiaries is a part of a group for tax purposes; provided, however, that such payments will not exceed the lesser of (A) the amount of tax that the Issuer and its Restricted Subsidiaries would owe on a stand-alone basis if the Issuer were filing a separate tax return (or a separate consolidated or combined tax return with its Restricted Subsidiaries that are part of that consolidated or combined group) and (B) the related tax liabilities of the Issuer and its Restricted Subsidiaries that are relieved thereby;

(x) the payment of any Securitization Fees and purchases of Securitization Assets and related assets pursuant to a Securitization Repurchase Obligation in connection with a Qualified Securitization Financing;

(xi) so long as no Default has occurred and is continuing (or would result therefrom), following the first Equity Offering that results in a Public Market, the declaration and payment of dividends or distributions on the common stock of the Issuer on a *pro rata* basis in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received from such Equity Offering or subsequent Equity Offering by the Issuer or contributed to the equity (other than through the issuance of Disqualified Stock or preferred stock and other than Parent Debt Contributions) of the Issuer or contributed as Subordinated Shareholder Debt to the Issuer and (b) an amount equal to the greater (A) 5% of the Market Capitalization and (B) 5% of the IPO Market Capitalization; *provided* that, with respect to sub-clause (b), after giving *pro forma* effect to the payment of any such dividend or making of any such distribution, the Consolidated Net Leverage Ratio does not exceed 3.25 to 1.00;

(xii) so long as no Default has occurred and is continuing (or would result therefrom), any Restricted Payment; *provided* that after giving effect to such Restricted Payment the Consolidated Net Leverage Ratio does not exceed 2.75 to 1.00;

(xiii) so long as no Default has occurred and is continuing (or would result therefrom), other Restricted Payments in an amount not to exceed €30 million from the Issue Date;

(xiv) dividends, loans, advances or distributions to any Holding Company or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):

(A) the amounts reasonably expected to be required (as determined in good faith by the Issuer's Board of Directors) for any Holding Company to pay any Holding Company Expenses or any Related Taxes; or

(B) amounts constituting or to be used for purposes of making payments (x) of fees and expenses incurred, or payments made, in connection with the Transactions or (y) to the extent specified in clauses (i) and (v) of the second paragraph under "*—Covenants—Limitation on Affiliate Transactions*";

(xv) any dividends, repayments of equity, reductions of capital, loans or any other distribution, including a profit transfer under a profit and loss pooling agreement entered into, by the Issuer or any Restricted Subsidiary (a "**tax distribution**") to any parent entity 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 entity 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 entity 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 entity 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); and

(xvi) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of any Subordinated Indebtedness (a) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness in the event of a Change of Control in accordance with provisions similar to "*—Repurchase at the Option of Holders upon a Change of Control*" or (b) at a purchase price not greater than 100% of the principal amount thereof in accordance with provisions similar to "*—Covenants—Limitation on Sales of Assets*"; *provided* that, prior to or simultaneously with such purchase, repurchase, redemption, defeasance or other acquisition or retirement, the Issuer has made the Change of Control Offer or Asset Disposition Offer, as applicable, as provided in such covenant with respect to the Notes and has completed the repurchase or redemption of all Notes validly tendered for payment in connection with such Change of Control Offer or Asset Disposition Offer.

Limitation on Liens

The Parent and the Issuer shall not, and the Issuer shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create, assume, or permit to subsist any Lien or other security interest upon any of their or any of the Restricted Subsidiaries' present or future property or assets (in the case of the Parent, limited in all respects to any Collateral provided by the Parent), or assign or otherwise convey any right to

receive income or profits therefrom, to secure any Indebtedness (including any guarantees or indemnities in respect thereof) (such Lien, the "**Initial Lien**") except (a) in the case of any property or asset that does not constitute Collateral, (i) Permitted Liens and (ii) Liens that are not Permitted Liens if, contemporaneously with the incurrence of such Initial Lien, the Notes and the obligations under the Indenture (or a Note Guarantee in the case of Liens of a Guarantor) are directly secured equally and ratably with, or in the case of Liens with respect to Subordinated Indebtedness, with priority to, 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 constituting Collateral, Permitted Collateral Liens.

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer shall not, and shall not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;

(b) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(c) sell, transfer or lease any of its property or assets to the Issuer or any Restricted Subsidiary.

The foregoing paragraph shall not prohibit:

(i) any encumbrance or restriction pursuant to the Notes, the Indenture, the Senior Facilities Agreement, the Security Documents or the Intercreditor Agreement or any other agreement in effect or entered into on the Issue Date;

(ii) any encumbrance or restriction with respect to a Restricted Subsidiary pursuant to an agreement relating to any Capital Stock or Indebtedness Incurred by such Subsidiary on or prior to the date on which such Subsidiary was acquired by the Issuer (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary of the Issuer or was acquired by the Issuer or in contemplation of the transaction) and outstanding on such date;

(iii) any agreement or instrument (a "**Refinancing Agreement**") effecting Refinancing Indebtedness or Disqualified Stock incurred pursuant to, or that otherwise extends, renews, refunds, refinances or replaces, an agreement or instrument or obligation in effect or entered into on the Issue Date (an "**Initial Agreement**") or contained in any amendment, supplement or other modification to an Initial Agreement (an "**Amendment**"); *provided,* however, that the encumbrances and restrictions contained in any such Refinancing Agreement or Amendment are not materially less favorable to the holders of the Notes taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such Refinancing Agreement or Amendment relates (as determined in good faith by the Board of Directors or an Officer of the Issuer) and either (x) the Issuer determines that such encumbrances and restrictions will not adversely affect the Issuer's ability to make principal and interest payments on the Notes as and when they come due or (y) such encumbrances and restrictions apply only during the continuance of a default in respect of a payment or financial maintenance covenant relating to such Indebtedness;

(iv) any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition;

(v) in the case of clause (c) of the first paragraph of this "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*" covenant, any encumbrance or restriction:

(A) that restricts in a customary manner the assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment of transfer of any such lease, license or other contract entered into in the ordinary course of business;

(B) contained in mortgages, pledges or other security agreements permitted under and in compliance with the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property subject so such mortgages, pledges or other security agreements; or

(C) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(vi) encumbrances or restrictions arising or existing by reason of applicable law (including, but not limited to, any capital maintenance or similar corporate law restrictions applicable to such Restricted Subsidiary the breach of which would, as determined in good faith by the Board of Directors of the Issuer or relevant Restricted Subsidiary, result in any civil or criminal liability of any directors or officers of the relevant Restricted Subsidiary) or any applicable rule, regulation or order or governmental license, permit or concession;

(vii) restrictions on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case, under contracts (not evidencing or relating to Indebtedness) entered into in the ordinary course of business;

(viii) Liens or other security interests permitted to be created, to be assumed or to subsist under the provisions of the "*—Limitation on Liens*" covenant that limit the right of the debtor to dispose of the assets subject to such Lien or other security interest;

(ix) encumbrances or restrictions contained in any agreement relating to, or pertaining to, Hedging Obligations;

(x) customary provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements in the ordinary course of business (including agreements entered into in connection with a Restricted Investment), entered into with the approval of the Issuer's Board of Directors which limitation is applicable only to the assets or property that are the subject of such agreements;

(xi) encumbrance or restriction effected in connection with a Qualified Securitization Financing that, in the good faith determination of the Board of Directors of the Issuer, are necessary to effect such Qualified Securitization Financing;

(xii) encumbrances or restrictions on the assets of or ownership interests in a joint venture, in each case contained in the terms of the agreement or agreements governing such joint venture; *provided*, however, that any such encumbrance or restriction (i) is customary in joint venture agreements, (ii) is not less favorable to the Issuer or any Restricted Subsidiary than to any other joint venturer and (iii) will not materially affect the Issuer's ability to make principal or interest payments on the Notes, as determined in good faith by the Board of Directors of the Issuer, at the time of entering into such agreement or agreements (and at the time of any modification of the terms of any such encumbrance or restriction); and

(xiii) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness Incurred by the Issuer or any Restricted Subsidiary permitted to be Incurred subsequent to the Issue Date pursuant to the "*—Limitation on Indebtedness*" covenant if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Notes than (i) the encumbrances and restrictions contained in the Senior Facilities Agreement, the Intercreditor Agreement and the Security Documents, in each case, as in effect on the Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Board of Directors of the Issuer) and where, in the case of this clause (ii), either (x) the Issuer determines when such Indebtedness is Incurred that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes as and when they come due or (y) the Issuer determines that such encumbrances and restrictions apply only during the continuance of a default in respect of a payment or financial maintenance covenant relating to such Indebtedness.

Limitation on Sales of Assets

The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(i) the Issuer or such Restricted Subsidiary receives consideration at least equal to the Fair Market Value (such Fair Market Value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Board of Directors of the Issuer (including as to the value of all non-cash consideration), of the shares and assets subject to such Asset Disposition;

(ii) in any such Asset Disposition, at least 75% of the consideration is in the form of cash or Cash Equivalents. For purposes of this "*—Limitation on Sales of Assets*" covenant, each of the following shall be deemed cash:

(A) any liabilities, as shown on the Issuer's most recent consolidated balance sheet, of the Issuer or any Restricted Subsidiary (other than contingent liabilities, Disqualified Stock and liabilities that are by their terms subordinated to the Notes or any Note Guarantee) that are assumed by the transferee of any such assets pursuant to any agreement that releases the Issuer or the relevant Restricted Subsidiary from or indemnifies against further liability;

(B) any securities, notes or other obligations received by the Issuer or a Restricted Subsidiary from such transferee that are converted by the Issuer or the relevant Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of the Asset Disposition, to the extent of the cash or Cash Equivalents received in that conversion;

(C) any Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Issuer and each other Restricted Subsidiary are released from any Guarantee of such Indebtedness in connection with such Asset Disposition;

(D) consideration consisting of Pari Passu Indebtedness of the Issuer or any Restricted Subsidiary received from Persons who are not the Issuer or any Restricted Subsidiary; and

(E) 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 and designated pursuant to this clause (E) that is at any one time outstanding, not to exceed €20 million (with the Fair Market Value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); and

(iii) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Issuer or the relevant Restricted Subsidiary, as the case may be:

(A) to the extent the Issuer elects, to prepay, repay or purchase (x) Indebtedness that is secured by a Permitted Collateral Lien that ranks equal to or in priority to any Lien on such assets securing the Notes and the Note Guarantees and is *pari passu* in right of payment with the Notes and the Note Guarantees (including, for the avoidance of doubt, under the Senior Facilities Agreement and any purchase or redemption of any Notes (*provided* that any such purchase or redemption is at or above 100% of the principal amount of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, to the date of such purchase or redemption)), (y) Indebtedness which is secured by a Lien (other than a Permitted Collateral Lien) on the asset which is the subject of the Asset Sale or (z) Indebtedness of a Restricted Subsidiary that is not a Guarantor (other than Indebtedness owed to the Issuer or an Affiliate of the Issuer), in each case, within 365 days from the date of the receipt of such Net Available Cash;

(B) to invest in Additional Assets within 365 days from the date of receipt of such Net Available Cash or pursuant to binding arrangements in place within such 365 day period; *provided* that such binding arrangement is completed within 180 days of such 365 day period;

(C) to make a capital expenditure within 365 days from the date of receipt of such Net Available Cash or pursuant to binding arrangements in place within such 365-day period; *provided* that such binding arrangement is completed within 180 days of such 365-day period; or

(D) to make an offer to the Holders and any other Pari Passu Indebtedness (to the extent the terms of such Pari Passu Indebtedness so require) on a *pro rata* basis to purchase the Notes at a purchase price equal to 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase and such Pari Passu Indebtedness pursuant to and subject to the Indenture (an "**Asset Disposition Offer**").

The amount of such Net Available Cash not used as set forth in sub-clauses (A) to (C) of the preceeding paragraph shall constitute "**Excess Proceeds**". Notwithstanding the foregoing provisions of this "*—Limitation on Sales of Assets*" covenant, the Issuer or the relevant Restricted Subsidiary shall not be required to apply any Excess Proceeds in accordance with sub-clause (D) above unless the aggregate Excess Proceeds from all Asset Dispositions which is not applied in accordance with the foregoing sub-clauses (A) to (C) exceeds €35 million. To the extent that the aggregate amount of Notes and Pari

Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Indenture. If the aggregate principal amount of Notes surrendered by Holders thereof and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Issuer shall accept the Notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness in accordance with the terms of the Asset Disposition Offer. Upon completion of such Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero. The Asset Disposition Offer will remain open for a period of 20 Business Days following its commencement, except to the extent that a longer period is required by applicable law (the "**Asset Disposition Offer Period**"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "**Asset Disposition Purchase Date**"), the Issuer will purchase the principal amount of Notes and Pari Passu Indebtedness required to be purchased pursuant to this covenant (the "**Asset Disposition Offer Amount**") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer. If the Asset Disposition Purchase Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest will be paid to the Holder of record at the close of business on such record date, and no additional interest will be payable to Holders who tender Notes pursuant to the Asset Disposition Offer. On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn, in each case with a principal amount of €100,000 or in integral multiples of €1,000 in excess thereof. The Issuer will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder of Notes or holder or lender of Pari Passu Indebtedness, as the case may be, an amount equal to the purchase price of the Notes or Pari Passu Indebtedness so validly tendered and not properly withdrawn by such holder or lender, as the case may be, and accepted by the Issuer for purchase. In addition, the Issuer will take any and all other actions required by the agreements governing the Pari Passu Indebtedness. The Issuer will publicly announce the results of the Asset Disposition Offer on the Asset Disposition Purchase Date.

Limitation on Affiliate Transactions

The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into any transaction or series of related transactions (including the rendering of services) with any Affiliate of the Issuer (any such transaction or series of related transactions, an "**Affiliate Transaction**") involving aggregate consideration in excess of €10 million unless:

(i) the terms of such Affiliate Transaction are no less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction with a Person who is not an Affiliate;

(ii) in the event such Affiliate Transaction involves aggregate consideration in excess of €20 million, the terms of such transaction have been approved by a majority of the Disinterested Directors of the Board of Directors of the Issuer (and such majority determines that such Affiliate Transaction satisfies the criteria in clause (i)); and

(iii) in the event (a) such Affiliate Transaction involves aggregate consideration in excess of €30 million or (b) such Affiliate Transaction involves aggregate consideration in excess of €20 million and there are no Disinterested Directors, the Issuer shall have received a written opinion from an independent investment bank or an accounting or appraisal firm of internationally recognized standing or other recognized independent expert of international standing with experience appraising the terms and conditions of the type of transaction or series of related transactions for which an opinion is required, stating that such Affiliate Transaction is (x) fair to the Issuer or such Restricted Subsidiary from a financial point of view or (y) not materially less favorable than those that might reasonably have been obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate.

The provisions of the foregoing paragraph shall not apply to:

(i) transactions pursuant to any employee or director compensation arrangements or benefit plans entered into by the Issuer or any of its Restricted Subsidiaries in the ordinary course of business of the Issuer or such Restricted Subsidiary;

(ii) any transaction effected as part of a Qualified Securitization Financing;

(iii) any Affiliate Transaction between the Issuer and a Restricted Subsidiary or between Restricted Subsidiaries;

(iv) any Restricted Payment (other than a Restricted Investment) permitted to be made pursuant to the provisions set forth under "*—Limitation on Restricted Payments*" above;

(v) the payment of reasonable and customary fees paid to, and indemnity provided on behalf of, officers, directors or employees of the Issuer or any Restricted Subsidiary of the Issuer;

(vi) the incurrence of Subordinated Shareholder Debt;

(vii) transactions pursuant to, or contemplated, by any agreement in effect on the Issue Date and transactions pursuant to any amendment (including to change any party to the agreement), modification or extension to such agreement, so long as such amendment, modification or extension, taken as a whole, is not more disadvantageous to the Holders than the original agreement as in effect on the Issue Date;

(viii) any issuance of Capital Stock (other than Disqualified Stock) of the Issuer to Affiliates of the Issuer;

(ix) transactions for which the Issuer shall have received a written opinion from an independent investment bank or an accounting or appraisal firm of internationally recognized standing or other recognized independent expert of international standing with experience appraising the terms and conditions of the type of transaction or series of related transactions for which an opinion is required, stating that such Affiliate Transaction is (a) fair to the Issuer or such Restricted Subsidiary from a financial point of view or (b) not materially less favorable than those that might reasonably have been obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate;

(x) (x) transactions with customers, clients, suppliers, landlord or purchasers or sellers of goods or services or providers of employees or other labor, in each case in the ordinary course of trading, or (y) any transaction in the ordinary course of business between the Issuer or any of its Restricted Subsidiaries and any Person that is an Affiliate of the Issuer solely because a director of such Person is also a director of the Issuer or any direct or indirect parent of the Issuer, in each case, *provided* (a) such transaction is otherwise in compliance with the terms of the Indenture and (b) is on terms at least as favorable as could have been obtained at such time from an unaffiliated Person, in the reasonable determination of the members of the Board of Directors or an Officer of the Issuer *provided* such Officer has been delegated such power by the Board of Directors in the prior twelve months (provided no member of the Board of Directors or Officer of the Issuer with an interest in such transaction may participate in such determination); and

(xi) any payments or other transactions pursuant to a tax sharing agreement between or among the Parent, the Issuer and any Restricted Subsidiary and any other Person with which the Parent, the Issuer or any of its Restricted Subsidiaries files a consolidated tax return or with which the Parent, the Issuer or any of its Restricted Subsidiaries is part of a group for tax purposes or any tax advantageous group contribution made pursuant to applicable legislation; *provided*, however, that such payments or transactions will not exceed the lesser of (i) the amount of tax that the Issuer and its Restricted Subsidiaries would owe on a stand-alone basis if the Issuer were filing a separate tax return (or a separate consolidated or combined tax return with its Restricted Subsidiaries that are part of that consolidated or combined group) and (ii) the related tax liabilities of the Issuer and its Restricted Subsidiaries that are relieved thereby.

Reports

So long as any Notes are outstanding, the Issuer will furnish in English to the Trustee:

(1) within 150 days following the end of the Issuer's fiscal year beginning with the fiscal year ending December 31, 2019 and within 120 days following the end of each fiscal year of the Issuer thereafter,

annual reports containing the following information: (a) audited consolidated balance sheet of the Issuer as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the two most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) *pro forma* key financial information for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case, the Issuer will provide, in the case of a material acquisition, acquired company financials to the extent available without unreasonable expense)); (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations (including a discussion by business segment to the extent segment reporting is required under IFRS), financial condition and liquidity and capital resources; (d) a description of the business, management and shareholders of the Issuer, material affiliate transactions and material debt instruments (unless such contractual arrangements were described in a previous annual or quarterly report, in which case the Issuer need describe only any material changes); and (e) material risk factors and material recent developments;

(2) within 75 days following the end of the Issuer's fiscal quarter ending March 31, 2020 and 60 days following the end of each of the first three fiscal quarters in each fiscal year of the Issuer thereafter, quarterly reports containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the quarterly and year to date periods ending on the unaudited condensed balance sheet date, and, the comparable prior year periods for the Issuer, together with condensed footnote disclosure; (b) *pro forma* key financial information for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case, the Issuer will provide, in the case of a material acquisition, acquired company financials (to the extent available without unreasonable expense)); (c) an operating and financial review of the unaudited financial statements (including a discussion by business segment to the extent segment reporting is required under IFRS), including a discussion of the consolidated financial condition and results of operations of the Issuer and any material change between the current quarterly period and the corresponding period of the prior year; and (d) material recent developments; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring of the Issuer and the Restricted Subsidiaries, taken as a whole, or any changes of the chief executive officer, chief financial officer or managing director of the Issuer or change in auditors of the Issuer or any other material event that the Issuer announces publicly, a report containing a description of such event;

provided, however, that the reports set forth in clauses (1), (2) and (3) above will not be required to (i) contain any reconciliation to U.S. generally accepted accounting principles or IFRS or (ii) include separate financial statements for any Guarantors or non-guarantor Subsidiaries of the Issuer.

In addition, if the Issuer has designated any of its Subsidiaries as Unrestricted Subsidiaries and any such Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary, then the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

All financial statements shall be prepared in accordance with IFRS. Except as provided for above, no report need to include separate financial statements for the Issuer or Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this offering memorandum.

In addition, for so long as any Notes remain outstanding, the Issuer has agreed that it will furnish to the Holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

Contemporaneously with the furnishing of each such report set forth in clauses (1), (2) and (3) above, the Issuer will also (a) post such report on the Issuer's website and (b) make available copies of such reports to the Listing Agent, for the purpose of sending to The International Stock Exchange Authority Limited (to the extent required by the rules of The International Stock Exchange Authority Limited). Notwithstanding the foregoing, the Issuer will be deemed to have provided such information to the Trustee, the Holders, prospective purchasers and beneficial owners of the Notes if such information referenced above in clauses (1), (2) and (3) above has been posted on the Issuer's website.

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.

The Issuer may comply with any requirement to provide reports or financial statements under this covenant by providing any report or financial statements of a direct or indirect Holding Company so long as such reports (if an annual, half yearly or quarterly report) (a) meet the requirements (including as to content and time of delivery) of this covenant as if references to the Issuer therein were references to such Holding Company and (b) explains in reasonable detail the differences between the information relating to such Holding Company, on the one hand, and the information to the Issuer and the Restricted Subsidiaries on a stand-alone basis, on the other hand. Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in this covenant.

Merger and Consolidation

The Issuer

The Issuer shall not, directly or indirectly, consolidate with or merge with or into another Person, or convey, transfer or lease all or substantially all the properties and assets of the Issuer and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(i) the resulting, surviving or transferee Person (the "**Successor Company**") will be a Person organized and existing under the laws of any member state of the European Union as of December 31, 2003, Switzerland, the United States of America or the District of Columbia, and the Successor Company (if not the Issuer) will expressly assume in appropriate documentation delivered to the Trustee all the obligations of the Issuer under the Notes, the Security Documents, the Intercreditor Agreement and the Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee);

(ii) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(iii) immediately after giving effect to such transaction and any related financings the Successor Company would be able to Incur at least an additional €1.00 of Indebtedness pursuant to clause (i)(x) of the first paragraph of the "*—Limitation on Indebtedness*" covenant above;

(iv) if any such transaction results in the Issuer or Successor Company being incorporated in a jurisdiction other than Germany, the Board of Directors of the Issuer and the Successor Company will have adopted a resolution stating that the transaction effecting such a change in jurisdiction was not being entered into for a purpose which included subjecting the Issuer or the Successor Company, as the case may be, to more favorable bankruptcy, insolvency, laws relating to creditors rights or similar laws; and

(v) the Issuer shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger, conveyance, transfer or lease and such supplemental indenture (if any is required in connection with such transaction) comply with the Indenture, and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company (in each case, in form and substance reasonably satisfactory to the Trustee); *provided* that in giving an Opinion of Counsel, counsel may rely on an Officers' Certificate as to any matters of fact.

Guarantors

In addition, the Issuer shall not permit any Guarantor, directly or indirectly, to consolidate with or merge with or into another Person, or convey, transfer or lease all or substantially all the properties and assets of

such Guarantor and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(i) either:

(A) the resulting, surviving or transferee Person (the "**Successor Guarantor**") will be a Person organized and existing under the laws of any member state of the European Union on 31 December 2003, Switzerland, the United States of America, the District of Columbia or the jurisdiction in which it was originally organized, and such Person (if not a Guarantor) will expressly assume in an appropriate documentation and delivered to the Trustee, all the obligations of such Guarantor under its Note Guarantee(s), the Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee), the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents; or

(B) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Guarantor or the conveyance, transfer or lease of all or substantially all the properties and assets of the Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture;

(ii) immediately after giving effect to, and as a result of, such transaction no Default or Event of Default shall have occurred and be continuing;

(iii) in the case of clause (i)(A) above, if any such transaction results in the Guarantor or Successor Guarantor being incorporated in a jurisdiction other than the jurisdiction in which it was organized as of the Issue Date, the Board of Directors of the Guarantor and the Successor Guarantor will have adopted a resolution stating that the transaction effecting such a change in jurisdiction was not being entered into for a purpose which included subjecting the Guarantor or the Successor Guarantor, as the case may be, to more favorable bankruptcy, insolvency, laws relating to creditors rights or similar laws; and

(iv) the Issuer and such Guarantor shall deliver to the Trustee in accordance with "*Notices*" an Officers' Certificate and Opinion of Counsel, in each case, stating that such consolidation, merger, conveyance, transfer or lease, such supplemental indenture (if any is required in connection with such transaction) and, in the case of clause (i)(A) only, such assumption by the resulting, surviving or transferee Person 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 Guarantor (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 Officers' Certificate as to any matters of fact.

The successor to any Guarantor will succeed to, and be substituted for, such Guarantor under the applicable Note Guarantee.

This "*—Merger and Consolidation*" covenant will not apply to (a) any consolidation, merger or transfer of assets of any Restricted Subsidiary that is not a Guarantor into the Issuer or a Guarantor, (b) any consolidation, merger or transfer of assets among Guarantors, or (c) any consolidation, merger or transfer of assets among the Issuer and any Guarantor; *provided* that, clauses (i) and (v) of the first paragraph of this covenant will be complied with. Clauses (ii) and (iii) of the first paragraph and clause (ii) of the second paragraph of this covenant will not apply to any merger or consolidation of the Issuer or any Guarantors with or into an Affiliate solely for the purpose of reincorporating the Issuer or such Guarantor in another jurisdiction.

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 the Issuer and its Restricted Subsidiaries.

If and for so long as the Notes are listed on the Official List of The International Stock Exchange and the rules of The International Stock Exchange so require, the Issuer shall publish notice of the occurrence of any of the events described in this "*—Merger and Consolidation*" covenant in accordance with the prevailing rules of The International Stock Exchange Authority Limited.

Future Guarantors

The Issuer shall cause each Restricted Subsidiary that is not a Guarantor and that, after the Issue Date, Guarantees any Indebtedness of the Issuer or any Guarantor under the Senior Facilities Agreement (subject to the Agreed Security Principles as set forth therein), to execute and deliver concurrently to the Trustee a supplemental indenture providing for a Note Guarantee of such Restricted Subsidiary pursuant to which such Restricted Subsidiary will Guarantee payment of the Notes, which Note Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's Guarantee of such other Indebtedness.

Each Additional Note Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to general statutory limitations, capital maintenance, corporate benefit, fraudulent preference, financial assistance or thin-capitalization rules or other similar laws or regulations (or analogous restrictions) of any applicable jurisdiction). See "*Risk Factors—Risks Related to the Notes—The Guarantee and each security interest may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantee and Security Interests*".

Notwithstanding the foregoing, the Issuer shall not be obligated to cause such Restricted Subsidiary to Guarantee the Notes to the extent that such Note Guarantee by such Restricted Subsidiary would reasonably be expected to give rise to or result in a violation of applicable law which, in any case, cannot be prevented or otherwise avoided through measures reasonably available to the Issuer or the Restricted Subsidiary (including "whitewash" or similar procedures) or any liability for the officers, directors or shareholders of such Restricted Subsidiary.

Limitation on Lines of Business

The Issuer shall not, and shall not permit any Restricted Subsidiary to, engage in any business other than a Related Business, except as would not be material to the Issuer and its Restricted Subsidiaries taken as a whole.

Maintenance of Listing

The Issuer will use its commercially reasonable efforts to obtain and maintain the listing of the Notes on The International Stock Exchange for so long as any Notes are outstanding; *provided* that if the Issuer is unable to obtain admission to such listing or if at any time the Issuer determines that it will not maintain such listing, it will use its commercially reasonable efforts to obtain and maintain a listing of the Notes on another recognized stock exchange for high yield issuers (which may be another stock exchange that is not regulated by the European Union).

Payments for Consent

The Issuer shall not, and shall not cause or permit any Restricted Subsidiary to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder for or as an inducement to any consent or vote with respect to any waiver or amendment of any of the terms or provisions of the Indenture unless (and to the extent such offer or payment is not prohibited by applicable law) such consideration is offered to be paid and is paid to all Holders that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, the Issuer and its Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, to exclude the Holders in any jurisdiction where (A)(i) the solicitation of such consent, waiver or amendment, including in connection with an offer to purchase for cash, or (ii) the payment of the consideration therefor would require the Issuer or any of its Restricted Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the U.S. federal securities laws and the laws of the European Union or its member states), which the Issuer in its sole discretion determines (acting in good faith) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction) or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

Restricted and Unrestricted Subsidiaries

As of the Issue Date, all of the Issuer's Subsidiaries shall be Restricted Subsidiaries.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

(i) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of or have any Investment in, or own or hold any Lien on any property of, any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary;

(ii) no Indebtedness of such Subsidiary or any of its Subsidiaries shall, at the date of designation, or at any time thereafter, constitute Indebtedness pursuant to which the lender has recourse to any of the assets of the Issuer or any Restricted Subsidiary;

(iii) such Subsidiary is a Person with respect to which neither the Issuer nor any Restricted Subsidiary has any direct or indirect obligation to:

  (A) subscribe for additional Capital Stock of such Person; or

  (B) maintain or preserve such Person's financial condition or cause such person to achieve any specified levels of operating results;

(iv) all outstanding Investments by the Issuer and the Restricted Subsidiaries (except to the extent repaid) in the Subsidiary so designated will be deemed to be Restricted Payments in an amount which shall be the Restricted Payment's Fair Market Value at the time of such transfer and a Restricted Payment in such amount would be permitted at such time under the covenant set forth under "*—Limitation on Restricted Payments*" or the definition of "Permitted Investments" and if such Subsidiary otherwise meets the definition of an "Unrestricted Subsidiary"; and

(v) after giving effect to, and as a result of, such designation there will be no Default or Event of Default.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided, however, that such designation shall be deemed to be an Incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation shall be permitted only if (i) immediately after giving effect to such designation, no Default or Event of Default shall have occurred and be continuing and (ii) the Issuer could Incur at least €1.00 of additional Indebtedness as described in clause (i)(x) of the first paragraph under "*—Limitation on Indebtedness*", on a pro forma basis taking into account such designation as if it had occurred at the beginning of the applicable reference period. Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a resolution of the Board of Directors of the Issuer giving effect to such designation and an Officers' Certificate certifying that such designation complies with the foregoing conditions.

Impairment of Security Interest

The Parent and the Issuer will not, and the Issuer will not cause or permit any of its Restricted Subsidiaries to, take or knowingly or negligently omit to take, any action which action or omission might or would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the incurrence of Liens on the Collateral permitted by the definition of "Permitted Collateral Liens" shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Parent and the Issuer will not, and the Issuer will not cause or permit any of its Restricted Subsidiaries to, grant to any Person other than the Security Agent, for the benefit of the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement, any interest whatsoever in any of the Collateral; *provided* that

(i) nothing in this provision shall restrict the discharge or release of the Collateral in accordance with the Indenture, the Intercreditor Agreement and the Security Documents; and

(ii) the Parent, the Issuer and the Issuer's Restricted Subsidiaries may incur Permitted Collateral Liens; and *provided* further, however, that no Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced, unless contemporaneously with such

amendment, extension, replacement, restatement, supplement, modification or renewal, the Issuer delivers to the Security Agent either:

(A) a solvency opinion from an accounting, appraisal or investment banking firm of national standing confirming the solvency of the Issuer and its Subsidiaries, taken as a whole (or, in the case of any relevant action with respect to the Security Documnents to which the Parent is a party as a security grantor, confirming the solvency of the Parent), after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement;

(B) a certificate from the chief financial officer, chief executive officer or the Board of Directors of the relevant Person, which confirms the solvency of the person granting Security Interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement; or

(C) an Opinion of Counsel (subject to customary exceptions and qualifications), confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens securing the Notes created under the Security Documents so amended, extended, renewed, restated, supplemented, modified or replaced are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, and that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement.

Notwithstanding the preceding paragraph which shall not apply to the actions described in this paragraph, at the direction of the Issuer and without the consent of the Holders or the Trustee, the Security Agent may from time to time enter into one or more amendments to the Security Documents to: (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) provide for Permitted Collateral Liens to the extent permitted by the Indenture; (iii) add to the Collateral; (iv) comply with the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement; (v) evidence the succession of another Person to the Issuer and the assumption by such successor of the obligations under the Indenture, the Notes and the Security Documents, in each case, in accordance with "*—Merger and Consolidation*"; (vi) provide for the release of property and assets constituting Collateral from the Lien of the Security Documents or the release of a Note Guarantee granted by a Guarantor, in each case, in accordance with (and if permitted by) the terms of the Indenture and the Intercreditor Agreement; (vii) conform the Security Documents to this "*Description of the Notes*"; (viii) evidence and provide for the acceptance of the appointment of a successor Trustee or Security Agent; or (ix) make any other change thereto that does not adversely affect the rights of the Holders in any material respect.

In the event that the Parent, the Issuer or the relevant Restricted Subsidiary complies with this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications and each of the Trustee and the Security Agent being indemnified and secured to its satisfaction) consent to such amendment, extension, renewal, restatement, supplement, modification or replacement with no need for instructions from Holders.

Security

The Parent and the Issuer shall, and the Issuer shall procure that each Guarantor shall, at its own expense, execute and do all such acts and things and provide such assurances as the Security Agent may reasonably require

(i) for registering any Security Documents in any required register and for perfecting or protecting the security intended to be afforded by such Security Documents; and

(ii) if such Security Documents have become enforceable, for facilitating the realization of all or any part of the assets which are subject to such Security Documents and for facilitating the exercise of all powers, authorities and discretions vested in the Security Agent or in any receiver of all or any part of those assets. The Parent and the Issuer shall, and the Issuer shall procure that each Guarantor shall, execute all transfers, conveyances, assignments and releases of that property whether to the Security Agent or to its nominees and give all notices, orders and directions which the Security Agent may reasonably request.

Additional Intercreditor Agreements

At the request of the Issuer, at the time of, or prior to, the Incurrence of any Indebtedness that is permitted to share the Collateral, the Parent, the Issuer, the relevant Guarantors, the Senior Facilities Lenders, the Trustee and the Security Agent shall enter into an additional intercreditor agreement (each an "**Additional Intercreditor Agreement**") on terms substantially similar to the Intercreditor Agreement (or not materially less favorable to the Holders) or an amendment to, or an amendment and restatement of, the Intercreditor Agreement (which amendment is not materially less favorable to the Holders); *provided* that such Intercreditor Agreement or Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or the Security Agent or adversely affect the rights, duties, liabilities or immunities of the Trustee under the Indenture or the Intercreditor Agreement; *provided* further that it is understood and agreed that an increase in the amount of Indebtedness being subjected to the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement will be deemed to be on substantially similar terms to the Intercreditor Agreement and will be deemed not to adversely affect the rights of the Holders and will be permitted by this covenant if, in each case, the Incurrence of such Indebtedness (and any Lien in its favor), would not be otherwise prohibited by the Indenture.

The Indenture will also provide that, at the direction of the Issuer and without the consent of the Trustee, the Security Agent or any Holder, the Trustee and the Security Agent shall from time to time enter into one or more amendments to the Intercreditor Agreement and any Additional Intercreditor Agreement to: (1) cure any ambiguity, omission, defect, manifest error or inconsistency of any such agreement; (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or any Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes); (3) add Restricted Subsidiaries or Guarantors to the Intercreditor Agreement or an Additional Intercreditor Agreement; (4) further secure the Notes (including any Additional Notes); (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes; (6) implement any Permitted Collateral Liens; (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof; (8) amend the Intercreditor Agreement or any Additional Intercreditor Agreement to (i) remove any references to any secured obligations following the full redemption or repayment of any such obligations and the cancellation or termination of underlying contractual arrangements, as applicable and/or (ii) replace any such references with references to any new contractual obligations governing any such secured obligations that replace and/or refinance, as applicable such secured obligations, in each case to the extent permitted by the Indenture; or (9) make any other change to any such agreement that does not adversely affect the Holders in any material respect.

Save as may be required by mandatory provisions of law, each Holder, by accepting a Note, will be deemed to have agreed to and accepted the terms and conditions of, and to have directed the Trustee and the Security Agent to enter into, each Intercreditor Agreement and Additional Intercreditor Agreement and any amendment referred to in the preceding paragraphs, and the Trustee or the Security Agent shall not be required to seek the consent of any Holders to perform its obligations under and in accordance with this covenant. Before entering into an Additional Intercreditor Agreement or effecting any amendment to the Intercreditor Agreement pursuant to this covenant, the Trustee or the Security Agent may elect to base its decision on an Officers' Certificate or an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee or the Security Agent, as applicable. Neither the Trustee nor the Security Agent shall be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel. The Issuer shall notify the Holders of the entry into an Additional Intercreditor Agreement or any amendment to the Intercreditor Agreement effected pursuant to this covenant without undue delay in accordance with the procedures set forth in the Indenture.

Suspension of Covenants

If on any date following the date of the Indenture:

(i) the Notes are rated with an Investment Grade Rating by two Rating Agencies; and

(ii) no Default has occurred and is continuing under the Indenture (the foregoing conditions being referred to collectively as the "**Suspension Condition**");

then, beginning on that day and subject to the provisions of the following paragraph, the covenants specifically listed under the following captions in this "*Description of the Notes*" (collectively, the "**Suspended Covenants**") of the Indenture will be suspended as to the Notes:

- "*—Limitation on Indebtedness*";
- "*—Limitation on Restricted Payments*";
- "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*";
- "*—Limitation on Sales of Assets*";
- "*—Limitation on Affiliate Transactions*";
- "*—Limitation on Lines of Business*";
- "*—Future Guarantors*"; and
- clauses (ii) and (iii) of the first paragraph and (ii) of the second paragraph, respectively, of "*—Merger and Consolidation*".

During any period that the foregoing sections have been suspended, the Issuer's Board of Directors may not designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to "*—Restricted and Unrestricted Subsidiaries*" unless the designation would have complied with the covenant described under "*—Limitation on Restricted Payments*".

Notwithstanding the foregoing, if the Issuer and its Restricted Subsidiaries are not subject to the Suspended Covenants with respect to the Notes for any period of time as a result of the Suspension Condition having been met and, subsequently, one or both of the respective Rating Agencies withdraw their Investment Grade Rating or downgrade the Investment Grade Rating assigned to the Notes such that the Notes no longer have an Investment Grade Rating by the respective two Rating Agencies, then the Issuer and each of its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants. (a) Compliance with the Suspended Covenants with respect to Restricted Payments made after the time of such withdrawal or downgrade (i) will be calculated in accordance with the terms of the reinstated "*—Limitation on Restricted Payments*" covenant as if the provisions had been in effect since the Issue Date (accordingly, Restricted Payments made during such period when the Suspended Covenants are suspended will reduce the amount available to be made as Restricted Payments described under the first paragraph of "*—Limitation on Restricted Payments*") and (ii) will be calculated in accordance with the terms of the reinstated "*—Limitation on Indebtedness*" covenant as if any Indebtedness incurred on or after the occurrence of the Suspension Condition will be deemed to have been incurred pursuant to the first paragraph described under "*—Limitation on Indebtedness*"; and (b) the Issuer will, and will cause each Restricted Subsidiary that would have been required to Guarantee the Notes pursuant to "*—Future Guarantors*" during such period when the Suspended Covenants are suspended to take all actions it would have been required to take to comply with "*—Future Guarantors*" if it had not been suspended including executing a supplemental indenture pursuant to which such Restricted Subsidiary shall become a Guarantor under the Indenture and pledging the Restricted Subsidiary's existing and future assets and pledging all of the Capital Stock in such Restricted Subsidiary to secure the Notes and the Note Guarantees; *provided*, *further*, that no Default, Event of Default or breach of any kind will be deemed to exist under the Indenture with respect to the Suspended Covenants based on, and none of the Issuer or any of its Subsidiaries will bear any liability for, any actions taken or events occurring after such Notes attain the required ratings and before any reinstatement of the Suspended Covenants as provided above, or any actions, taken at any time pursuant to any contractual obligations arising prior to the reinstatement of the Suspended Covenants, regardless of whether those actions or events would have been permitted if the applicable sections had remained in effect during such period.

The Trustee shall have no duty to monitor the ratings of the Notes, shall not be deemed to have any knowledge of the ratings of the Notes and shall have no duty to notify Holders if the Notes achieve an Investment Grade Rating or have such Investment Grade Rating withdrawn. The Issuer shall notify the Trustee in writing that the conditions set forth in the first paragraph under this caption has been satisfied, provided that, no such notification shall be a condition for the suspension of the covenants described under this caption to be effective.

Events of Default, Enforcement

Each of the following constitutes an "**Event of Default**" under the Indenture:

(a) default in any payment of interest or Additional Amounts, if any, on any Note when due and payable, continued for 30 days;

(b) default in the payment of principal of or premium, if any, on any Note when due and payable at its Stated Maturity, upon optional redemption, upon required repurchase, upon acceleration or otherwise;

(c) failure by the Issuer or any of the Guarantors to comply with any obligation under the covenant set forth under "—Covenants—Merger and Consolidation," continued for 30 days;

(d) failure by the Issuer or any of the Guarantors to comply for 60 days after written notice from the Trustee on behalf of the Holders or upon written instruction by Holders of at least 25% in aggregate principal amount of the Notes then outstanding with its other obligations contained in the Indenture;

(e) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for borrowed money by the Issuer or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Issuer or any of its Restricted Subsidiaries), other than Indebtedness owed to the Issuer or a Restricted Subsidiary, whether such Indebtedness or guarantee now exists, or is created after the date of the Indenture, which default:

(i) is caused by a failure to pay when due principal of, or interest or premium, if any, on such Indebtedness prior to the expiration of any applicable grace period provided for under the terms of such Indebtedness ("**payment default**"); or

(ii) results in the acceleration of such Indebtedness prior to its maturity;

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated aggregates €25 million or more;

(f) certain events of bankruptcy, insolvency or reorganization under bankruptcy laws of (i) the Issuer, (ii) a Guarantor or (iii) a group of Restricted Subsidiaries that taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries) would constitute a Significant Subsidiary;

(g) failure by the Issuer or any Restricted Subsidiary to pay final judgments aggregating in excess of €15 million (net of any amounts that are covered by insurance policies issued by reputable and creditworthy insurance companies), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment exceeding such threshold becomes final;

(h) any Note Guarantee of any Guarantor that constitutes a Significant Subsidiary ceases to be in full force and effect (except as contemplated by the terms of such Note Guarantee or the Indenture or as provided under applicable law) or is declared null and void in a judicial proceeding or the Issuer or any such Guarantor denies or disaffirms in writing or in any pleading in any court its obligations under the Indenture or its Note Guarantee and any such Default continues for 10 days; or

(i) with respect to any Collateral having a Fair Market Value in excess of €15 million, individually or in the aggregate, (i) (a) the security interest under the Indenture or the Security Documents, at any time, ceases to be in full force and effect for any reason other than in accordance with the terms of the Security Documents and other than the satisfaction in full of all obligations under the Notes or (b) any security interest created thereunder or under the Security Documents is declared invalid or unenforceable and such Default continues for 15 days after the Issuer becomes aware of the Default or (ii) the Issuer, the Parent or any Guarantor asserts that any such security interest or Security Document is invalid or unenforceable prior to the time that the Collateral is to be released to the Issuer or the Guarantors.

If an Event of Default (other than an Event of Default pursuant to the foregoing clause (f)) occurs and is continuing, the Trustee by written notice to the Issuer or the Holders of at least 25% in principal amount of all outstanding Notes by written notice to the Issuer shall terminate the Notes and declare the principal amount of and all accrued interest under all outstanding Notes to be due and payable immediately. If an Event of Default with respect to the Issuer pursuant to the foregoing clause (f) occurs and is continuing, the Notes will automatically be terminated and all payments under the Notes will become due and payable

immediately without any declaration or other act on the part of the Trustee or any Holder. Certain enforcement actions, including acceleration, will be suspended during a consultation period under the Intercreditor Agreement. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

In the event of a declaration of acceleration of the Notes because an Event of Default pursuant to foregoing clause (e) has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the relevant default triggering such Event of Default pursuant to the foregoing clause (e) shall be remedied or cured by the Issuer or a Restricted Subsidiary or waived by the holders of the relevant Indebtedness, or the relevant Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 20 days after the declaration of acceleration with respect thereto and if (i) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (ii) all existing Events of Default, except non-payment of principal, premium, or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

The Holders may rescind any acceleration with respect to the Notes and its consequences within three months of the acceleration by simple majority vote of the Holders if such rescission would not conflict with any judgment or decree of a court of competent jurisdiction; *provided*, however, that the aggregate of such cast votes exceeds the number of votes having required the acceleration.

Notwithstanding anything to the contrary herein, (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 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 "*—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 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 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 (and, if requested, provided) to the Trustee indemnity (including by way of prefunding) or security satisfactory to the Trustee against any loss, liability or expense that may be incurred. Except to enforce the right to receive payment of principal, premium, if any, or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(a) such Holder has previously given the Trustee written notice that an Event of Default is continuing;

(b) Holders of at least 25% in principal amount of the outstanding Notes have requested in writing the Trustee to pursue the remedy;

(c) the Trustee has not complied with such request within 60 days following the receipt of the written request and the offer of security or indemnity; and

(d) the Holders of a majority in principal amount of the outstanding Notes have not within such 60 day period given the Trustee a written direction that, in the opinion of the Trustee, is inconsistent with such request.

Subject to the Indenture and applicable law, the Holders of a majority in aggregate principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of such person's 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 would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification (including by way of prefunding) satisfactory to it against all losses, liabilities, and expenses that may be caused by taking or not taking such action.

The Issuer shall deliver to the Trustee in accordance with the procedures set forth in the Indenture, within 120 days after the end of each fiscal year (and within 20 Business Days upon request at any time after the 120 days), an Officers' Certificate stating whether the signers thereof know of any Default that occurred during the previous year. The Issuer also is required to deliver to the Trustee, after becoming aware of the

occurrence thereof, written notice of any events of which it is aware which would constitute Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

If an Event of Default occurs and is continuing, the Trustee may or, subject to the provisions of the Intercreditor Agreement with respect to any Note Guarantee and the Collateral, the Security Agent may:

(a) in its sole discretion, but shall not be required to, proceed to protect and enforce the rights of the Holders by such appropriate judicial proceedings as the Trustee or the Security Agent, as applicable, shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in the Indenture or any Note Guarantee or in aid of the exercise of any power granted herein, or to enforce any other proper remedy, including making demand under one or more of the Note Guarantees on behalf of the Holders unless such Holders have offered to the Trustee and the Security Agent indemnity and/or security (including by way of prefunding) satisfactory to the Trustee and Security Agent against any loss, liability and expense; and

(b) prosecute and enforce all rights of action and claims under the Indenture or any Note Guarantee without the possession of any of the Notes or the Global Notes or the production thereof in any proceeding relating thereto, and to bring any such proceeding on behalf of the Holders.

Amendments and Waivers

Subject to certain exceptions and without limiting the ability of the Issuer, without consent of the Trustee, the Security Agent or any Holder, to direct the Trustee and the Security Agent to enter into one or more amendments to the Intercreditor Agreement and any Additional Intercreditor Agreement in accordance with the covenant set forth under "*—Covenants—Additional Intercreditor Agreements*" above, the Indenture, the Notes, the Note Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security 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).

Without the consent of Holders holding not less than 90% of the then outstanding principal amount of the Notes then outstanding, an amendment or waiver may not, with respect to any Notes held by a non-consenting Holder:

(i) reduce the principal amount of Notes whose Holders must consent to an amendment, waiver or modification;

(ii) reduce the stated rate of or extend the stated time for payment of interest on any Note;

(iii) reduce the principal of or extend the Stated Maturity of any Note;

(iv) 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*";

(v) make any Note payable in money other than that stated in the Note;

(vi) impair the right of any Holder to receive payment of principal of and interest or Additional Amounts, if any, on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder's Notes;

(vii) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of Holders of Notes to receive payments of principal of, or interest, Additional Amounts or premium, if any, on, the Notes;

(viii) release any security interest granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture;

(ix) 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);

(x) release any Guarantor from any of its obligations under the Note Guarantee or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor Agreement and any Additional Intercreditor Agreement;

(xi) waive a redemption payment with respect to any Note (other than a payment required by one of the covenants described above under "*—Repurchase at the Option of Holders upon a Change of Control*" and "*—Covenants—Limitation on Sales of Assets*") or

(xii) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

The Indenture, the Notes, the Note Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents may be amended or supplemented without the consent of any Holder:

(i) to cure any ambiguity, omission, defect, error or inconsistency;

(ii) to provide for the assumption by a successor Person of the obligations of the Issuer or any Guarantor under any of the Indenture, the Notes, the Note Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents;

(iii) to add to the covenants or provide for a Note Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

(iv) to 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 Indenture, the Notes, the Note Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents;

(v) 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;

(vi) to provide for any Restricted Subsidiary to provide a Note Guarantee in accordance with the covenant described under "*—Covenants—Limitation on Indebtedness*" or "*—Covenants—Future Guarantors*", to add Note Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Note Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(vii) to conform the text of the Indenture, the Intercreditor Agreement, the Security Documents or the Notes to any provision of this "*Description of the Notes*" to the extent that such provision in this "*Description of the Notes*" was intended to be a verbatim recitation of a provision of the Indenture, the Security Documents or the Notes;

(viii)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 of the Indenture, the Notes, the Note Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents;

(ix) 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, in any property which is required by the Security Documents 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 "*—Covenants—Impairment of Security Interest*" is complied with; or

(x) as provided in "*—Covenants—Additional Intercreditor Agreements*".

In connection with such matters, the Trustee shall be entitled to receive and rely absolutely on an Officers' Certificate and Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any of the Indenture, the Notes, the Note Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents. 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.

Legal Defeasance or Covenant Defeasance

The Indenture will provide that the Issuer may, as evidenced by a resolution set forth in an Officers' Certificate, elect to have the obligations of the Issuer and the Guarantors discharged with respect to the outstanding Notes and the Note Guarantees ("**Legal Defeasance**"). Legal Defeasance means that the Issuer will be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes that are being defeased and Note Guarantees except as to:

(a) the rights of holders of outstanding Notes to receive payments in respect of the principal of, premium, if any, and interest on such Notes when such payments are due from the trust account referred to below;

(b) the Issuer's obligations to exchange any Notes, replace mutilated, destroyed, lost or stolen Notes, maintain an office or agency for payments in respect of the Notes and segregate and hold such payments in trust;

(c) the rights and obligations of the Trustee and the obligations of the Issuer and the Guarantors in connection therewith; and

(d) the "*Legal Defeasance or Covenant Defeasance*" provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants set forth in the Indenture ("**Covenant Defeasance**"), and thereafter any omission to comply with such covenants will not constitute a Default or an Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events described under "*—Events of Default*" will no longer constitute an Event of Default with respect to the Notes. These events do not include events relating to non-payment on the Notes or, solely with respect to the Issuer, bankruptcy, insolvency, receivership and reorganization. The Issuer may exercise its Legal Defeasance option regardless of whether they previously exercised Covenant Defeasance.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(i) the Issuer must irrevocably deposit or cause to be deposited in a trust account for the benefit of the holders of the Notes, cash in euro, non-callable European Government Obligations or a combination thereof, in each case in such amounts as will be sufficient, in the opinion of the Issuer (acting in good faith), to pay and discharge the principal of, premium, if any, and interest, on the outstanding Notes on the Stated Maturity or on the applicable redemption date, as the case may be, and the Issuer must (x) prior to depositing such monies or securities to the trust account, procure an Opinion of Counsel stating, subject to customary assumptions and qualifications, that the trust account will be bankruptcy remote; (y) specify whether the Notes are being defeased to such Stated Maturity or to a particular redemption date; and (z) if applicable, have delivered to the Paying Agent and the Trustee an irrevocable notice to redeem all the outstanding Notes of such principal, premium, if any, or interest;

(ii) in the case of Legal Defeasance, the Issuer must have delivered to the Trustee an Opinion of Counsel stating that (i) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling, or (ii) since the original issue date of the Notes, there has been a change in applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal

income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(iii) in the case of Covenant Defeasance, the Issuer must have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(iv) the Issuer must have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of the Notes over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or others; and

(v) the Issuer must have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, subject to customary assumptions and qualifications, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with.

The Trustee shall be entitled to accept any Officers' Certificate and Opinion of Counsel delivered to it pursuant to this paragraph as sufficient evidence of compliance with the relevant paragraph and shall not be obligated to independently investigate whether the requirements of the relevant paragraph are otherwise met.

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 Trustee or Paying Agent for cancellation; or

(b) all Notes not previously delivered to the Trustee or 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 Paying Agent 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 such other entity directed, designated, selected or appointed by the Issuer and reasonably acceptable to the Trustee for this purpose), money or in euro or euro-denominated European Government Obligations or a combination thereof in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not previously delivered to the Trustee or 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, Paying Agent (or other entity directed, designated, selected or appointed by the Issuer and reasonably acceptable to the Trustee for this purpose) as applicable 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 Officers' Certificate and an Opinion of Counsel (which the Trustee may rely on without further inquiry) 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 Officers' 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, Paying Agent or such other entity directed, designated, selected or appointed by the Issuer and reasonably acceptable to the Trustee for this purpose, as applicable, 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.

Concerning the Trustee and Certain Agents

Deutsche Trustee Company Limited is to be appointed as Trustee under the Indenture. The Notes Indenture will provide that, except during the continuance of an Event of Default of which a responsible officer of the Trustee has received written notice, the Trustee will perform only such duties as are set forth specifically in the Indenture where indemnified to its satisfaction. During the existence of an Event of Default of which a responsible officer of the Trustee has received written notice, 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. If the Trustee, the Security Agent or any other agent under the Indenture becomes the Holder, beneficial owner or pledgee of any Notes, it may deal with the Issuer with the same rights it would have if it were not the Trustee, Security Agent or such other agent. The Trustee will be permitted to engage in transactions with the Issuer and its Affiliates.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a bona fide Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, 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

If and for so long as any of the Notes are listed on the Official List of the Exchange and if and to the extent the rules of the Exchange so require, the Issuer will notify the Exchange of any notice to the Holders of the Notes and, in connection with any redemption, the Issuer will notify the Exchange of any change in the principal amount of the Notes outstanding. 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.

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.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator, member or shareholder of the Parent, the Issuer or the Guarantors will have any liability for any obligations of the Issuer under the Notes or the Indenture 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 and release may not be effective to waive liabilities under the U.S. federal securities laws.

Prescription

Claims against the Parent, 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 Parent, the Issuer and the Guarantors for the payment of interest on the Notes will be prescribed six years after the applicable due date for payment of interest, provided that such claim has not been stayed or otherwise prohibited or delayed by applicable law or court order.

Additional Information

Following the Issue Date, copies of the Indenture, the Notes and the Intercreditor Agreement will be available at the specified office of the Paying Agent and the registered office of the Issuer.

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 will be governed by and construed in accordance with English law.

Consent to Jurisdiction and Service of Process

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 (including the Parent) will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States. The Indenture will provide that the Parent, the Issuer and each Guarantor, will appoint Law Debenture Corporate Services Inc., 801 2nd Avenue, Suite 403, New York, NY10017, United States of America, as their agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Note Guarantees brought in any U.S. federal or New York state court located in the City of New York.

Enforceability of Judgments

Since substantially all the assets of the Issuer are located outside the United States, any judgment obtained in the United States against the Issuer, 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.

Certain Definitions

"**Acquired Indebtedness**" means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or is merged into or consolidated with any other Person or that is assumed in connection with the acquisition of assets from such Person and, in each case, not Incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Restricted Subsidiary or such merger, consolidation or acquisition.

"**Additional Assets**" means:

(1) any property or assets (other than Indebtedness and Capital Stock) in a Related Business including newly acquired property or assets and improvements of existing property or assets (excluding, for the avoidance of doubt, working capital or current assets);

(2) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Issuer or a Restricted Subsidiary; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary.

provided, however, that, in the case of clauses (2) and (3), such Restricted Subsidiary is primarily engaged in a Related Business.

"**Affiliate**" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise. The terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Agreed Security Principles**" means the security principles as set out, from time to time, in an annex to the Senior Facilities Agreement (or any Credit Facility that may replace the Senior Facilities Agreement), as applied *mutatis mutandis* with respect to the Notes reasonably and in good faith by the Issuer.

"**Applicable Premium**" means, with respect to any Note on any redemption date, the greater of:

(a) 1.0% of the principal amount of such Note; and

(b) the excess of (i) the present value on such redemption date of (A) the redemption price of such Note at February 15, 2023 (such redemption price being set forth in the table appearing above under "*—Optional Redemption*", exclusive of any accrued and unpaid interest), plus (B) all required remaining scheduled interest payments due on the Notes through February 15, 2023 (but excluding accrued and unpaid interest to the redemption date), in each case computed using a discount rate equal to the Bund Rate plus 50 basis points, over (ii) the principal amount of such Note on such redemption date.

The calculation of the Applicable Premium shall be made by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate and shall be conclusive in the absence of manifest error. For the avoidance of doubt, the calculation of the applicable premium shall not be the obligation or responsibility of the Trustee or Paying Agent.

"**Asset Disposition**" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), conveyance, transfer, assignment or any other disposition, or series of related sales, conveyances, transfers, assignments, leases or other dispositions that form part of a common plan by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction (each referred to for the purposes of this definition as a "**disposition**"), of any shares of Capital Stock of any Subsidiary (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Issuer or any of its Subsidiaries) or any other assets of the Issuer or any of its Restricted Subsidiaries, other than:

(1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash or Cash Equivalents;

(3) for purposes of the covenant set forth under "*—Covenants—Limitation on Sales of Assets*" only, a disposition that constitutes a Restricted Payment permitted by the covenant set forth under "*—Covenants—Limitation on Restricted Payments*" or a Permitted Investment;

(4) transactions permitted by the covenant set forth under "*—Covenants—Merger and Consolidation—The Issuer*" or transactions constituting a Change of Control;

(5) dispositions in connection with Permitted Liens, foreclosures on assets and any release of claims which have been written down or written off;

(6) dispositions of obsolete or worn out equipment or equipment that is no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries and which is disposed of in the ordinary course of business;

(7) any sale, transfer or other disposition of Securitization Assets and related assets in connection with any Qualified Securitization Financing;

(8) dispositions of inventory and goods of sale in the ordinary course of business;

(9) the licensing, sublicensing or sale of intellectual property or other intangibles and licenses in the ordinary course of business which do not materially interfere with the ordinary conduct of the business of the Issuer or any of its Restricted Subsidiaries;

(10) dispositions of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(11) the granting of Liens not prohibited by the covenant described above under "*—Covenants—Limitation on Liens*";

(12) dispositions of receivables in connection with the compromise, settlement or collection thereof or surrender or waiver of contract rights or settlement, release of contract, tort or other claim, in each case, in the ordinary course of business;

(13) dispositions required by law or any governmental authority or agency;

(14) any exchange of assets for assets related to a Related Business of comparable or greater market value, as determined in good faith by the principal financial officer and the principal executive officer of the Issuer;

(15) sales, transfers or other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture agreements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such sale, transfer or disposition is applied in accordance with the covenant described under "*—Covenants—Limitation on Sale of Assets*";

(16) taking by eminent domain, condemnation or any similar action with respect to any property or other assets;

(17) any enforcement action taken in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement; and

(18) dispositions of assets the Fair Market Value of which does not exceed €20 million in any transaction or series of related transactions.

"**Board of Directors**" means, with respect to the Issuer or a Subsidiary, as the case may be, the management board (or other body or individual (including a managing director) performing functions similar to any of those performed by a management board or any committee thereof duly authorized to act on behalf of such board (or other body)).

"**Bund Rate**" means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bund* or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that have become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from the redemption date to February 15, 2023; *provided*, however that if the period from the redemption date to February 15, 2023 is not equal to the constant maturity of the direct obligations of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to February 15, 2023 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

"**Business Day**" means any day which is a day (other than a Saturday or a Sunday) on which (i) banks are open for general business in Frankfurt and London, and (ii) the clearing system as well as all relevant parts of the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 (TARGET2) are operational to forward payments in euro.

"**Capital Stock**" of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person (but excluding any debt securities convertible into such equity).

"**Capitalized Lease Obligation**" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with IFRS, and the amount of Indebtedness represented by such obligation shall be the capitalized amount of such obligation at the time

any determination thereof is to be made as determined in accordance with IFRS, under such lease prior to the first date such lease may be terminated without penalty.

"**Cash Equivalents**" means:

(1) securities issued or directly and fully guaranteed or insured by the United States Government or any agency or instrumentality of the United States or a member state of the European Union on December 31, 2003 (other than Greece, Ireland, Italy, Portugal or Spain) or any agency or instrumentality thereof (*provided*, however, that the full faith and credit of the United States or such member state of the European Union is pledged in support thereof); having maturities of not more than one year from the date of acquisition;

(2) certificates of deposit, time deposits, Eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any commercial bank or trust company; *provided* that such bank or trust company has capital, surplus and undivided profits aggregating in excess of €250 million (or the foreign currency equivalent thereof as of the date of such investment) and whose long term debt is rated "Baa3" or higher by Moody's or "BBB−" or higher by Standard & Poor's or the equivalent rating category of another internationally recognized rating agency;

(3) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) of this definition;

(4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by Standard & Poor's Ratings Services or "P-2"or the equivalent thereof by Moody's Investors Service, Inc., or carrying an equivalent rating by an internationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of investments, and in any case maturing within one year after the date of acquisition thereof; and

(5) interests in any investment company or money market fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (4) of this definition.

"**Change of Control**" means the occurrence of any of the following:

(1) for as long as no Public Market exists for the Capital Stock of the Issuer (or a Holding Company), the Issuer becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the U.S. 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 U.S. Exchange Act as in effect on the Issue Date) other than a Permitted Holder is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the U.S. Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the issued and outstanding Voting Stock of the Issuer measured by voting power rather than number of shares;

(2) at any time that a Public Market exists for the Capital Stock of the Issuer (or a Holding Company), the Issuer becoming aware of (i) (by way of a report or any other filing pursuant to Section 13(d) of the U.S. 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 U.S. Exchange Act as in effect on the Issue Date) other than a Permitted Holder is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the U.S. Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 30% of the issued and outstanding Voting Stock of the Issuer measured by voting power rather than number of shares and (ii) Permitted Holders holding, directly or indirectly, the control over fewer of the issued and outstanding Voting Stock of the Issuer measured by voting power rather than number of shares than such other person or group;

(3) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, or consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person other than a Permitted Holder; or

(4) the adoption of a plan relating to the liquidation, winding up or other disposition of all or substantially all of assets of the Issuer.

Notwithstanding the foregoing, (1) a transaction will not be deemed to involve a Change of Control solely as a result of the Issuer becoming a direct or indirect wholly-owned subsidiary of a holding company if

(i) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of our Voting Stock immediately prior to that transaction or (ii) immediately following that transaction no Person (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company, (2) the right to acquire Voting Stock (so long as such Person does not have the right to direct the voting of the Voting Stock subject to such right) will not cause a party to be a beneficial owner and (3) any Voting Stock of which any Permitted Holder is the beneficial owner shall not be included in any Voting Stock of which any other person or group is the beneficial owner, unless that person or group is not an Affiliate of a Permitted Holder and has greater voting power with respect to that Voting Stock of such Permitted Holder.

"**Commodity Agreement**" means, with respect to any Person, any commodity or raw material futures contract, commodity or raw materials option, or any other similar agreement or arrangement designed to protect against or manage exposure to fluctuations in the price of commodity or raw materials actually used in the ordinary course of business of such Person.

"**Consolidated EBITDA**" for any period means, without duplication, the Consolidated Net Income for such period, plus to the extent deducted in calculating such Consolidated Net Income:

(1) Fixed Charges for such period; plus

(2) any amount of tax on profits, gains or income whether paid or accrued by the Issuer and its Restricted Subsidiaries for such period; plus

(3) any amount attributable to any amortization of the Issuer and its Restricted Subsidiaries (including amortization of any goodwill arising from purchase accounting) and any depreciation of the Issuer and its Restricted Subsidiaries for such period; plus

(4) the amount of "run rate" cost savings, operating expense reductions and cost synergies related to mergers and other business combinations, acquisitions, divestitures, restructurings, cost savings initiatives and other similar initiatives consummated or implemented after the Issue Date that are reasonably identifiable and factually supportable and projected by the Issuer in good faith to result from actions that have been taken, formally initiated or implemented and that are expected to be realized (in the good faith determination of the Issuer) within twelve months after a merger or other business combination, acquisition, divestiture, restructuring, cost savings initiative or other initiative is consummated or implemented, net the amount of actual benefits realized during such period from such actions; *provided* that no cost savings, operating expense reductions and cost synergies shall be added pursuant to this defined term to the extent duplicative of any expenses or charges otherwise added to Consolidated Net Income or Consolidated EBITDA (or included in the calculation of any financial ratio), whether through a *pro forma* adjustment or otherwise, for such period; plus

(5) earn-out and contingent consideration obligations (including to the extent accounted for as bonuses or otherwise) and adjustments thereof and purchase price adjustments; plus

(6) all adjustments of the nature used in connection with the calculation of "EBITDA before non-recurring items" and "Adjusted EBITDA" as set forth in footnotes 2 and 3 of "*Summary Financial and Other Information—Summary Other Financial Data*" contained in this offering memorandum applied in good faith to the extent such adjustments continue to be applicable during the period in which Consolidated EBITDA is being calculated; plus

(7) the amount of any minority interest expenses deducted in calculating Consolidated Net Income; less

(8) the following non-cash items taken into account in calculating such Consolidated Net Income:

   (a) income from the release of investment grants for fixed assets, or

   (b) income from appreciation or revaluation of fixed assets.

Notwithstanding the preceding sentence, clauses (2) and (3) relating to amounts of a Restricted Subsidiary of the Issuer will be added to Consolidated Net Income to compute Consolidated EBITDA of the Issuer only to the extent (and in the same proportion) that the net income (loss) of such Restricted Subsidiary was included in calculating the Consolidated Net Income of the Issuer.

"**Consolidated Net Income**" means, for any period, the profit (loss) for the period of the Issuer and its Restricted Subsidiaries determined on a consolidated basis in accordance with IFRS; *provided*, however, that there shall not be included in such Consolidated Net Income:

(1) any profit (loss) for the period of any Person (other than the Issuer) if such Person is not a Restricted Subsidiary, except that:

   (a) subject to the limitations contained in clauses (2), (3) and (4) of this definition, the Issuer's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment; and

   (b) the Issuer's equity in a net loss of any such Person (other than an Unrestricted Subsidiary) for such period shall be included in determining such Consolidated Net Income to the extent such loss has been funded with cash from the Issuer or a Restricted Subsidiary;

(2) any net after-tax gain (loss) realized upon the sale or other disposition of any asset (including Capital Stock) of the Issuer or its Restricted Subsidiaries which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(3) any net after-tax goodwill impairment;

(4) the non-cash impact of any capitalized interest on any Subordinated Shareholder Debt;

(5) the cumulative effect of a change in material accounting principles after the Issue Date;

(6) any extraordinary gain, loss or charge as determined in good faith by the Issuer;

(7) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(8) (a) any asset impairments charges or the financial impacts of natural disasters (including fire, flood and storm and related events); or (b)(x) any one-time non-cash charges or amortization or depreciation, or (y) any one-time cash charges, in each case, in relation to any acquisition of, or merger or consolidation with, another Person or business or resulting from any restructuring, reorganization, redundancy or severance;

(9) solely for the purpose of determining the amount available for Restricted Payments under clause (iii)(A) of the first paragraph under "*—Covenants—Limitation on Restricted Payments*", any profit (loss) for the period of a Restricted Subsidiary (other than any Guarantor) which is subject to any restrictions, directly or indirectly, on distributions, except to the amount of cash actually received by the Issuer;

(10) any expenses, charges or other costs related to the issuance of any Capital Stock, or any Permitted Investment, acquisition, disposition, recapitalization or listing or the Incurrence of Indebtedness permitted to be Incurred under the covenant described above under the caption "*—Covenants—Limitation on Indebtedness*" (including refinancing thereof) whether or not successful, including (i) such fees, expenses or charges related to any Incurrence of Indebtedness issuance and (ii) any amendment or other modification of any Incurrence;

(11) any foreign currency translation gains or losses;

(12) minority interest expense consisting of subsidiary income attributable to minority equity interests of third parties in any non-wholly owned Restricted Subsidiary in such period or any prior period, except to the extent of dividends declared or paid on, or other cash payments in respect of, Capital Stock held by such parties;

(13) any expenses, charges, reserves or other costs related to the Transactions;

(14) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity-based awards; and

(15) deferred financing costs written off and premium paid or other expenses Incurred directly in connection with any early extinguishment of Indebtedness and any net loss from any write-off or forgiveness of Indebtedness.

"**Consolidated Net Leverage Ratio**" as of any date of determination, means the ratio of (1) Consolidated Total Net Indebtedness of the Issuer and its Restricted Subsidiaries to (2) the Issuer's Consolidated EBITDA for the most recently ended four full fiscal quarter period for which internal financial statements are available immediately preceding the date on which such event for which such calculation is being made shall occur, with such *pro forma* adjustments to Consolidated EBITDA as are appropriate and consistent with the pro forma adjustment provisions set forth in the definition of "Fixed Charge Coverage Ratio", except for clause (2) of such definition.

"**Consolidated Secured Net Debt Ratio**" as of any date of determination, means the ratio of (1) Consolidated Total Net Indebtedness of the Issuer and its Restricted Subsidiaries that is secured by Liens to (2) the Issuer's Consolidated EBITDA for the most recently ended four full fiscal quarter period for which internal financial statements are available immediately preceding the date on which such event for which such calculation is being made shall occur, in each case with such *pro forma* adjustments to Consolidated Total Indebtedness and Consolidated EBITDA as are appropriate and consistent with the *pro forma* adjustment provisions set forth in the definition of "Fixed Charge Coverage Ratio".

"**Consolidated Total Indebtedness**" means, as at any date of determination, an amount equal to the sum of (1) the aggregate principal amount of all outstanding Indebtedness (excluding clause (1)(i) of the definition of "Indebtedness") of the Issuer and its Restricted Subsidiaries on a consolidated basis consisting of Indebtedness for borrowed money, obligations in respect of Capitalized Lease Obligations and debt obligations evidenced by promissory notes and similar instruments (and excluding, for the avoidance of doubt, all obligations relating to Qualified Securitization Financings) and (2) the aggregate amount of all outstanding Disqualified Stock of the Issuer and all preferred stock of its Restricted Subsidiaries on a consolidated basis, with the amount of such Disqualified Stock and preferred stock equal to the greater of their respective voluntary or involuntary liquidation preferences and maximum fixed repurchase prices, in each case determined on a consolidated basis in accordance with IFRS. For purposes hereof, the "maximum fixed repurchase price" of any Disqualified Stock or preferred stock that does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock or preferred stock as if such Disqualified Stock or preferred stock were purchased on any date on which Consolidated Total Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Stock or preferred stock, such Fair Market Value shall be determined reasonably and in good faith by the Issuer.

"**Consolidated Total Net Indebtedness**" means, as at any date of determination, Consolidated Total Indebtedness minus available cash and Cash Equivalents that would be stated on a balance sheet of the Issuer and its Restricted Subsidiaries as of such date in accordance with IFRS.

"**Contingent Obligations**" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that, in each case, does not constitute Indebtedness ("**primary obligations**") of any other Person (the "**primary obligor**"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

  (a) for the purchase or payment of any such primary obligation; or

  (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"**Credit Facility**" means, one or more debt facilities (including, without limitation, the Senior Facilities Agreement), instruments or arrangements or commercial paper facilities or overdraft facilities or conditions of issue or trust deeds or indentures or note purchase agreements, in each case, with banks, other institutions, funds or investors, providing for revolving credit loans, receivables financing (including

through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit, bonds, notes debentures or other corporate debt instruments or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions and whether provided under the Senior Facilities Agreement or one or more other credit or other agreements, conditions of issue, trust deeds, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers, companies or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"**Currency Agreement**" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement as to which such Person is a party or a beneficiary.

"**Default**" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"**Designated Non-Cash Consideration**" means the Fair Market Value of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officers' Certificate, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents 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 above under the caption "*—Covenants—Limitation on Sales of Assets*".

"**Disinterested Director**" means, with respect to any transaction or series of related transactions, a member of the Issuer's Board of Directors who does not have any personal stake in or with respect to such transaction or series of related transactions.

"**Disqualified Stock**" means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(1) matures or is mandatory redeemable pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Issuer or a Restricted Subsidiary); or

(3) is redeemable at the option of the holder of the Capital Stock in whole or in part, in each case on or prior to the date that is 91 days after the earlier of the date (a) of the stated maturity of the Notes or (b) on which there are no Notes outstanding; *provided*, however, that only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date shall be deemed to be Disqualified Stock; *provided* further, however, that any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or asset disposition (each defined in a substantially identical manner to the corresponding definitions in the Indenture) shall not constitute Disqualified Stock if the terms of such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable) provide that the Issuer may not repurchase or redeem any such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable) pursuant to such provision prior to compliance by the Issuer with the provisions as set forth under "*—Repurchase at the Option of Holders upon a Change of Control*" and "*—Covenants—Limitation on Sales of Assets*" and such repurchase or redemption complies with "*—Covenants—Limitation on Restricted Payments*".

"**Equity Offering**" means a bona fide underwritten primary public offering of Capital Stock (other than Disqualified Stock) of the Issuer or any Holding Company to the extent the proceeds from such offering are contributed to the Issuer's common equity capital (other than through a Parent Debt Contribution) or are paid to the Issuer as consideration for the issuance of ordinary shares of the Issuer, either:

(1) pursuant to a flotation on the Frankfurt Stock Exchange or any other nationally recognized stock exchange or listing authority in a member state of the European Union on 31 December 2003; or

(2) pursuant to an effective registration statement under the Securities Act (other than a registration statement on Form S-8 or otherwise relating to Capital Stock issued or issuable under any employee benefit plan).

"**Escrowed Proceeds**" means the proceeds from the offering of any debt securities or other Indebtedness paid into escrow accounts with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow accounts upon satisfaction of certain conditions or the occurrence of certain events. The term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"**Euro Equivalent**" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in the Financial Times in the "Currency and Financial Data" section (or if the Financial Times is no longer published, or if such information is no longer available in the Financial Times, such source as may be selected in good faith by the Issuer) on the date of such determination. Except as expressly provided otherwise, whenever it is necessary to determine whether the Issuer or any of its Restricted Subsidiaries has complied with any covenant or other provision in the Indenture or if there has occurred an Event of Default and an amount is expressed in a currency other than the euro, such amount will be treated as the Euro Equivalent determined as of the date such amount is initially determined in such non-euro currency.

"**European Government Obligations**" means any security that is (1) a euro denominated direct obligation of Austria, France, Germany, the Netherlands or any other Permissible Jurisdiction, 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.

"**Fair Market Value**" means the value that would be paid by a willing buyer to an unaffiliated willing seller in an arm's length transaction not involving distress or necessity of either party, determined in good faith by the principal financial officer and the principal executive officer of the Issuer or the Board of Directors of the Issuer.

"**Financial Indebtedness**" means any Indebtedness described under clauses (1)(a), (1)(b), (1)(e), (1)(f) and (1)(h) of the definition of "Indebtedness".

"**Fixed Charge Coverage Ratio**" means as of any date of determination, with respect to the Issuer and its Restricted Subsidiaries, the ratio of (i) the aggregate amount of Consolidated EBITDA for the period of the most recently ended four consecutive full fiscal quarters ending prior to the date of such determination for which consolidated financial statements of the Issuer are available to (ii) Fixed Charges for such four consecutive full fiscal quarters; *provided*, however, that:

(1) if the Issuer or any Restricted Subsidiary:

   (a) has Incurred any Indebtedness since the beginning of such period that remains outstanding on such date of determination or if the transaction giving rise to the need to calculate the Fixed Charge Coverage Ratio is an Incurrence of Indebtedness, Consolidated EBITDA and Fixed Charges for such period shall be calculated after giving effect on a *pro forma* basis to such Indebtedness as if such Indebtedness had been Incurred on the first day of such period (except that in making such computation, the amount of Indebtedness under any revolving credit facility outstanding on the date of such calculation shall be deemed to be (i) the average daily balance of such Indebtedness during such four quarter period or such shorter period for which such facility was outstanding or (ii) if such facility was created after the end of such four quarter period, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation); or

(b) has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of the period that is no longer outstanding on such date of determination or if the transaction giving rise to the need to calculate the Fixed Charge Coverage Ratio involves a discharge of Indebtedness (in each case other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and the related commitment terminated), Consolidated EBITDA and Fixed Charges for such period shall be calculated after giving effect on a *pro forma* basis to such discharge of such Indebtedness, including with the proceeds of such new Indebtedness, as if such discharge had occurred on the first day of such period;

(2) the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Indebtedness Incurred on such date of calculation pursuant to the provisions described in the second paragraph described under "*—Covenants—Limitation on Indebtedness*" (other than for the purposes of the calculation of the Fixed Charge Coverage Ratio under clause (x) thereunder) or (ii) the discharge on such date of calculation of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph described under "*—Covenants—Limitation on Indebtedness*";

(3) if since the beginning of such period the Issuer or any Restricted Subsidiary will have made any Asset Disposition or discontinued any company, division, operating unit, segment, business or line of business or if the transaction giving rise to the need to calculate the Fixed Charge Coverage Ratio includes such a transaction:

(a) the Consolidated EBITDA for such period shall be reduced by an amount equal to the Consolidated EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Disposition or discontinuation for such period or increased by an amount equal to the Consolidated EBITDA (if negative) directly attributable thereto for such period; and

(b) Fixed Charges for such period shall be reduced by an amount equal to the Fixed Charges directly attributable to any Indebtedness of the Issuer or any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Issuer and its continuing Restricted Subsidiaries in connection with such Asset Disposition or discontinuation for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, Fixed Charges for such period shall be reduced by the amount of Fixed Charges directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Issuer and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale);

(4) if since the beginning of such period the Issuer or any Restricted Subsidiary (by merger or otherwise) will have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary or is merged with or into the Issuer) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction requiring a calculation to be made hereunder, and which constitutes all or substantially all of a company, division, operating unit, segment, business, group of related assets or line of business, Consolidated EBITDA and Fixed Charges for such period shall be calculated after giving *pro forma* effect thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition occurred on the first day of such period; and

(5) if since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Issuer or any Restricted Subsidiary since the beginning of such period) will have Incurred any Indebtedness or discharged any Indebtedness, made any Asset Disposition or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (3) or (4) of this definition if made by the Issuer or a Restricted Subsidiary during such period, Consolidated EBITDA and Fixed Charges for such period shall be calculated after giving *pro forma* effect thereto as if such Incurrence or discharge of Indebtedness, Asset Disposition or Investment or acquisition of assets occurred on the first day of such period.

For purposes of this definition, whenever *pro forma* effect is to be given to any calculation under this definition, the *pro forma* calculations (including, without limitation, in respect of anticipated expense or cost savings and expense or cost synergies relating to any such transaction) shall be determined in good faith by a responsible financial or accounting officer of the Issuer. If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness).

"**Fixed Charges**" means, with respect to the Issuer and its Restricted Subsidiaries for any period, the sum, without duplication, of:

(1) the consolidated interest expense (net of interest income) of the Issuer and its Restricted Subsidiaries for such period, whether paid or accrued, including without limitation:

   (a) amortization of debt discount, debt issuance costs, commissions, fees, discounts, prepayment fees, premium or charges and other finance costs in respect of Financial Indebtedness whether paid or payable and depreciation of any such financing costs capitalized during such period (but excluding in each case (x) financing costs such as legal fees, advisory costs, security valuation expenses or similar expenses, (y) any commissions, fees, discounts, prepayment fees, premium, swap termination costs or other charges or payments Incurred in connection with the Transactions and (z) commissions, discounts, yield and other fees and charges related to any Qualified Securitization Financing), and

   (b) the interest portion of any deferred payment obligation with respect to any Financial Indebtedness; plus

(2) any interest on Indebtedness of another Person that is guaranteed by the Issuer or one of its Restricted Subsidiaries or secured by a Lien on assets of the Issuer or one of its Subsidiaries whether or not such Guarantee or Lien is called upon; plus

(3) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of Disqualified Stock of the Issuer or on any series of preferred stock of any Restricted Subsidiaries of the Issuer other than dividends to the Issuer or a Restricted Subsidiary of the Issuer, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, determined on a consolidated basis in accordance with IFRS; plus

(4) interest expense attributable to Capitalized Lease Obligations; plus

(5) non-cash interest expense; plus

(6) costs associated with Hedging Obligations related to Indebtedness (but excluding any non-cash interest expense or income attributable to the movement in the mark to market valuation thereof); plus

(7) interest expense capitalized during such period (but excluding such interest on Subordinated Shareholder Debt).

"**Guarantee**" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise); or

(2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

provided, however, that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"**Hedging Agreements**" means any Interest Rate Agreement, Currency Agreement or Commodity Agreement.

"**Hedging Obligations**" of any Person means the obligations of such Person pursuant to any Hedging Agreement.

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

"**Holding Company**" means any Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Holding Company.

"**Holding Company Expenses**" means:

(1) costs (including all professional fees and expenses) Incurred by any Holding Company in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary;

(2) customary indemnification obligations of any Holding Company owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Issuer and its Subsidiaries;

(3) obligations of any Holding Company in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and its Subsidiaries;

(4) fees and expenses payable by any Holding Company in connection with the Transactions;

(5) reasonable general corporate overhead expenses, including but not limited to (a) professional fees and expenses and other operational expenses of any Holding Company related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries, (b) costs and expenses with respect to any litigation or other dispute relating to the Transactions or the ownership or operations, directly or indirectly, by any Holding Company, (c) any taxes and other fees and expenses required to maintain such Holding Company's corporate existence and to provide for other ordinary course operating costs, including reasonable customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Holding Company and (d) to reimburse reasonable out of pocket expenses of the Board of Directors of such Holding Company;

(6) expenses Incurred by any Holding Company in connection with any sale of Capital Stock or Indebtedness:

  (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary;

  (b) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or

  (c) otherwise on an interim basis prior to completion of such offering so long as any Holding Company shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed; and

(7) any (i) income taxes, to the extent such income taxes are attributable to the income of the Issuer and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries and (ii) value added taxes to be paid by any Holding Company in respect of any payments made under clauses (1) through (6) above or as controlling company of a value added tax group for the members of such value added tax group, but only to the extent such value added taxes are attributable to the Issuer and its Restricted Subsidiaries and, to the extent corresponding amounts are actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to such Unrestricted Subsidiaries;

provided, in each case, that such expense relates to the Issuer and its Subsidiaries in the ordinary course of business and has been deducted from Consolidated Net Income as an expense.

"**IFRS**" means the International Financial Reporting Standards as endorsed by the European Union (a) for purposes of the covenant described under "*—Covenants—Reports*", as in effect from time to time and (b) for other purposes of the Indenture, as in effect on the Issue Date. Except as otherwise set forth in the Indenture, all ratios and calculations based on IFRS contained in the Indenture shall be computed in accordance with IFRS as in effect on the Issue Date; *provided* that at any date after the Issue Date, the Issuer may, by written notice to the Trustee and the Holders, make an election to establish that IFRS means IFRS as in effect on a date that is after the Issue Date and on or prior to the date of such election; *provided* further that any such election, once made, shall be irrevocable.

"**Incur**" means issue, create, assume, Guarantee, incur or otherwise become liable for (contingently or otherwise); *provided*, however, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall

be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary; and further *provided* that for purposes of the first paragraph of the covenant set forth under "*—Covenants—Limitation on Indebtedness*, "the obligation to pay the deferred and unpaid purchase price of property is considered Incurred on the date of signing the related purchase agreement if the delivery and taking title of such property under such purchase agreement is not subject to any conditions within the control of the purchaser and such delivery and taking title of such property will be completed less than six months after the signing of the related purchase agreement. The terms "**Incurred**" and "**Incurrence**" have meanings correlative to the foregoing.

"**Indebtedness**"

(1) means, with respect to any Person on any date of determination (without duplication):

(a) the principal of indebtedness for borrowed money;

(b) the principal of obligations evidenced by bonds, debentures, notes or other similar instruments;

(c) all reimbursement obligations in respect of letters of credit, bankers' acceptances or other similar instruments (except to the extent such reimbursement obligation relates to a trade payable or other obligation not constituting Indebtedness and such obligation is satisfied within 30 days of Incurrence);

(d) obligations to pay the deferred and unpaid purchase price of property (except trade payables or similar obligations to trade creditors accrued in the ordinary course of business), which purchase price is due more than six months after the date of placing such property in service or taking delivery and title thereto;

(e) Capitalized Lease Obligations;

(f) the principal component or liquidation preference of all obligations of such Person with respect to the redemption, repayment or other repurchases of any Disqualified Stock or, with respect to any Restricted Subsidiary, preferred stock (but excluding any accrued dividends);

(g) the principal component of Indebtedness of other Persons to the extent Guaranteed by the Issuer or a Restricted Subsidiary;

(h) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of the Issuer or any Restricted Subsidiary, whether or not such Indebtedness is assumed by the Issuer or any Restricted Subsidiary; *provided*, however, that the amount of such Indebtedness will be the lesser of (a) the Fair Market Value of such assets at such date of determination and (b) the amount of such Indebtedness of such other Person; and

(i) to the extent not otherwise included in this definition, net obligations of such Person under Hedging Obligations (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time),

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with IFRS. The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described in this definition and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date.

(2) Notwithstanding the other provisions of this definition, in no event shall the following constitute Indebtedness:

(a) Subordinated Shareholder Debt;

(b) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business or product, 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 or product 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;

(d) Contingent Obligations in the ordinary course of business; or

(e) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes.

(3) In addition, "Indebtedness" of any Person shall include Indebtedness described in clause (1) of this definition that would not appear as a liability on the balance sheet of such person if:

(a) such Indebtedness is the obligation of a partnership or joint venture that is not a Restricted Subsidiary (a "**Joint Venture**");

(b) such Person or a Restricted Subsidiary of such Person is a general partner of the Joint Venture (a "**General Partner**"); and

(c) there is recourse, by contract or operation of law, with respect to the payment of such Indebtedness to property or assets of such Person or a Restricted Subsidiary of such Person; and then such Indebtedness shall be included in an amount not to exceed:

(i) the lesser of (A) the net assets of the General Partner and (B) the amount of such obligations to the extent that there is recourse, by contract or operation of law, to the property or assets of such Person or a Restricted Subsidiary of such Person; or

(ii) if less than the amount determined pursuant to the preceding clause (3)(c)(i) of this definition, the actual amount of such Indebtedness that is recourse to such Person or a Restricted Subsidiary of such Person, if the Indebtedness is evidenced in writing and is for a determinable amount and the related interest expense shall be included in Fixed Charges to the extent actually paid by the Issuer or its Restricted Subsidiaries.

"**Intercreditor Agreement**" means the intercreditor agreement dated July 6, 2018, as amended and restated from time to time, between, among others, the Issuer, the Senior Facilities Lenders and the Security Agent and to be acceded by the Trustee on or prior to the Issue Date.

"**Interest Rate Agreement**" means with respect to any Person any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement as to which such Person is party or a beneficiary.

"**Investment**" in any Person means any direct or indirect advance, loan or other extensions of credit (including by way of Guarantee or similar arrangement) (in each case, other than advances, loans or other extensions of credit to customers or suppliers in the ordinary course of business) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by such Person and all other items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS.

For purposes of the definition of "Unrestricted Subsidiary" and the covenant set forth under "*—Covenants—Limitation on Restricted Payments*", "Investment" shall include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the Fair Market Value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; provided, however, that upon a re-designation of such Subsidiary as a Restricted Subsidiary, the Issuer shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to the excess of the Issuer's "Investment" in such Subsidiary at the time of such re-designation less the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary.

Any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer, except as would otherwise be required in relation to the valuation of a Restricted Payment pursuant to the covenant set forth under "*—Covenants—Limitation on Restricted Payments*" covenant. If the Issuer or any Restricted Subsidiary sells or otherwise disposes of any Voting Stock of any direct or indirect Restricted Subsidiary such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary, the Issuer will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Issuer's Investments in such Restricted Subsidiary that were not sold or disposed of.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"**Investment Grade Rating**" means with respect to Fitch Ratings, Inc., a rating of BBB− or higher, with respect to Moody's Investors Service Inc., a rating of Baa3 or higher and with respect to Standard & Poor's Ratings Group, Inc., a rating of BBB− or higher.

"**IPO Market Capitalization**" means an amount equal to (i) the total number of issued and outstanding ordinary shares or common equity interests of the Issuer or any Holding Company at the time of closing of the first Equity Offering of the Issuer or Holding Company, as applicable, that results in a Public Market multiplied by (ii) the price per share at which such ordinary shares or common equity interests are sold in such Equity Offering.

"**Issue Date**" means February 11, 2020.

"**Lien**" means any mortgage, pledge, encumbrance, easement, deposit arrangement, security interest, lien or charge of any other kind of security right in rem (including with respect to any Capitalized Lease Obligation, conditional sales, or other title retention agreement having substantially the same economic effect as any of the foregoing), whether or not filed, recorded or otherwise perfected under applicable law.

"**Limited Condition Acquisition**" means any acquisition, including by way of merger, amalgamation or consolidation, by the Issuer or one or more of its Restricted Subsidiaries whose consummation is not conditioned upon the availability of, or on obtaining, third party financing; *provided* that the Consolidated Net Income (and any other financial term derived therefrom), other than for purposes of calculating any ratios in connection with the Limited Condition Acquisition, shall not include any Consolidated Net Income of or attributable to the target company or assets associated with any such Limited Condition Acquisition unless and until the closing of such Limited Condition Acquisition shall have actually occurred.

"**Management Advances**" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of the Parent, the Issuer or any Restricted Subsidiary:

(1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person's purchase of Capital Stock or Subordinated Shareholder Debt (or similar obligations) of the Issuer, its Subsidiaries or the Parent with (in the case of this sub-clause (b)) the approval of the Board of Directors of the Issuer;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) not exceeding €2 million in the aggregate outstanding at any time.

"**Market Capitalization**" means, following the first Equity Offering that results in a Public Market, an amount equal to (i) the total number of issued and outstanding ordinary shares or common equity interests of the Issuer or relevant Holding Company, as applicable, on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per ordinary share or common equity interest for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"**Net Available Cash**" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or instalment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, and other fees and expenses Incurred, and all taxes required to be paid or accrued as a liability under IFRS as a consequence of such Asset Disposition (after taking into account any available tax credit or deductions and any tax sharing arrangements);

(2) all payments made on any Indebtedness which is secured on a higher priority than the Notes by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders in any of the Issuer's Subsidiaries or joint ventures as a result of such Asset Disposition;

(4) the deduction of appropriate amounts to be provided for by the seller as a reserve, in accordance with 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; and

(5) any portion of the purchase price from an Asset Disposition required by the terms of the sale agreements to be placed in escrow (A) to provide assurance to the purchaser that the seller will be able to satisfy its indemnification and other obligations with respect to such sale and (B) which escrow is not under the sole control of the Issuer or any of its Subsidiaries; *provided*, however, that upon the termination of that escrow, Net Available Cash shall be increased by any portion of funds in the escrow that are released to the Issuer or any Restricted Subsidiary.

"**Net Cash Proceeds**" means, with respect to any issuance or sale of Capital Stock or Indebtedness, the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

"**Officer**" means, with respect to any Person, (1) any managing director, director or member of the management board or senior executive (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.

"**Officers' Certificate**" means, with respect to any Person, a certificate signed by two Officers of such Person.

"**Opinion of Counsel**" means a written opinion from legal counsel reasonably satisfactory to the intended recipient under the Indenture. The counsel may be an employee of or counsel to the Parent or the Issuer.

"**Parent Debt Contribution**" means a contribution to the equity of the Issuer or any of its Restricted Subsidiaries in relation to which dividends or other distributions may be paid pursuant to clause (vi) of the second paragraph under "*—Covenants—Limitation on Restricted Payments*".

"**Pari Passu Indebtedness**" means, in the case of the Notes, any Indebtedness of the Issuer that ranks equally in right of payment with the Notes and, in the case of the Guarantors, any Indebtedness of the applicable Guarantor that ranks equally in right of payment to the Note Guarantee of such Guarantor.

"**Permissible Jurisdiction**" means any member state of the European Union on December 31, 2003 (other than Greece, Ireland, Italy, Portugal and Spain).

"**Permitted Collateral Liens**" means:

(1) Liens on the Collateral to secure the Notes (or the Note Guarantees) issued on the Issue Date and any Refinancing Indebtedness in respect thereof; *provided* that all property and assets (including, without limitation, the Collateral) securing such Refinancing Indebtedness secures the Notes and the Note Guarantees on a senior or *pari passu* basis; *provided* further that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement;

(2) Liens on the Collateral to secure Indebtedness (a) under a Credit Facility that is permitted by clause (i) of the second paragraph of the covenant set forth under "*—Covenants—Limitation on Indebtedness*" and (b) under the Senior Facilities Agreement outstanding on the Issue Date after giving effect to the relevant transactions described under "*Summary—The Transactions*"; *provided* that all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Notes and the Note Guarantees on a senior or *pari passu* basis; *provided* further that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) Liens on the Collateral securing the Issuer's or any Restricted Subsidiary's obligations under Hedging Obligations permitted by clause (vi) of the second paragraph of the covenant set forth under "*—Covenants—Limitation on Indebtedness*"; *provided* that all property and assets securing such Indebtedness also secures the Notes and the Note Guarantees on a senior or *pari passu* basis; *provided* further that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) Liens on the Collateral to secure Indebtedness that is permitted to be Incurred under clause (x) of the second paragraph of the covenant set forth under "*—Covenants—Limitation on Indebtedness*"; *provided* that, at the time of the acquisition or other transaction pursuant to which such Indebtedness was Incurred and after giving effect to the Incurrence of such Indebtedness on a *pro forma* basis, (a) the Issuer would have been able to Incur €1.00 of additional secured Indebtedness pursuant to clause (i)(y) of the first paragraph of the covenant set forth under "*—Covenants—Limitation on Indebtedness*" or (b) the Consolidated Secured Net Debt Ratio for the Issuer and its Restricted Subsidiaries would not be greater than it was immediately prior to giving *pro forma* effect to such acquisition or other transaction and to the Incurrence of such Indebtedness;

(5) Liens securing Indebtedness Incurred pursuant to the first paragraph of the covenant set forth under "*—Covenants—Limitation on Indebtedness*"; *provided* that all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Notes and the Note Guarantees on a senior or *pari passu* basis; *provided* further that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement;

(6) Liens on Securitization Assets and related assets Incurred in connection with any Qualified Securitization Financing; *provided* that such Liens also secure the Notes and the Note Guarantees on a senior or *pari passu* basis; and

(7) Liens described in clauses (1), (2), (3), (4), (5), (6), (10), (11), (18), (20), (21), (22), (23), (24), (25) and (27) of the definition of "Permitted Liens" and that, in each case, would not materially interfere with the ability of the Security Agent to enforce any Lien over the Collateral.

"**Permitted Holders**" means:

(1) Sebastian Braun and Bianca Juha;

(2) the parents, spouse, siblings or any direct descendants or heirs of any of Sebastian Braun and Bianca Juha;

(3) the parents of any spouse of Sebastian Braun and Bianca Juha; and

(4) any trust, corporation, partnership, limited liability company or other entity, the beneficiaries, shareholders, partners, members, owners or Persons beneficially holding 50.1% or more of the Voting Stock (or equivalent interest) therein consist of any one or more Persons referred to in the immediately preceding clauses (1) through (3).

"**Permitted Investment**" means an Investment by the Issuer or any Restricted Subsidiary:

(1) in the Issuer or a Restricted Subsidiary;

(2) in a Person, if as a result of such Investment, such other Person becomes a Restricted Subsidiary or is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary; *provided*, however, that such Person's primary business is a Related Business;

(3) in Capital Stock, obligations or securities received (i) in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, (ii) as a result of foreclosure, perfection or enforcement of any Lien, (iii) in satisfaction of judgments or (iv) pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of a debtor;

(4) in existence on the Issue Date or made pursuant to legally binding commitments in existence on, the Issue Date, and any extension, modification or renewal of any such Investments, but only to the extent not involving additional Investments;

(5) in connection with a Qualified Securitization Financing, including Investments of funds held in accounts permitted or required by the arrangements governing such Qualified Securitization Financing or any related Indebtedness;

(6) in the Notes;

(7) in cash and Cash Equivalents;

(8) acquired by the Issuer or any Restricted Subsidiary in connection with an asset disposition exempted from the definition of "Asset Disposition" or permitted under "*—Covenants—Limitation on Sale of Assets*" to the extent such Investments are non-cash proceeds or deemed cash proceeds as permitted under such covenant;

(9) Hedging Obligations, which transactions or obligations are incurred in compliance with the "*—Covenants—Limitation on Indebtedness*" covenant;

(10) Guarantees of Indebtedness permitted to be incurred by the covenant described under the "*—Covenants—Limitation on Indebtedness*" covenant and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(11) acquired after the Issue Date as a result of the acquisition by the Issuer or any Restricted Subsidiary of another Person (including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described under "*—Covenants—Merger and Consolidation*") after the Issue Date; *provided* that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(12) any acquisition of assets or Capital Stock solely in exchange for the issuance of Capital Stock (other than Disqualified Stock) of the Issuer or Subordinated Shareholder Debt;

(13) Management Advances;

(14) taken together with all other Investments made pursuant to this clause (14) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed €30 million; *provided* that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to "*—Covenants—Restricted and Unrestricted Subsidiaries*", such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause; and

(15) in connection with any customary cash management, cash pooling or netting or setting-off arrangements entered into in the ordinary course of business (as determined in good faith by the Issuer's Board of Directors).

"**Permitted Liens**" means:

(1) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance-related obligations, or in connection with bids, tenders, completion guarantees, contracts (other than for the payment of Indebtedness), warranty obligations or leases to which the Issuer or a Restricted Subsidiary is a party, or to secure public or statutory obligations of the Issuer or a Restricted Subsidiary or deposits of cash or Cash Equivalents to secure surety, judgment, performance or appeal bonds (or other similar bonds, instruments or obligations) to which the Issuer or a Restricted Subsidiary is a party, or deposits as security for contested taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(2) Liens imposed by law;

(3) Liens for taxes, assessments or other governmental charges which are not overdue for a period of more than 30 days 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 or performance bonds or letters of credit or bankers' acceptances issued pursuant to the request of and for the account of the Issuer or a Restricted Subsidiary in the ordinary course of its business; *provided*, however, that such letters of credit do not constitute Indebtedness;

(5) judgment Liens not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(6) Liens arising solely by virtue of banks' standard business terms and conditions;

(7) Liens existing on the Issue Date (other than in respect of the Notes and the Note Guarantees);

(8) Liens on property or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary; *provided*, however, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such other Person becoming a Restricted Subsidiary; *provided* further,

however, that any such Lien may not extend to any other property owned by the Issuer or any Restricted Subsidiary;

(9) Liens on property at the time the Issuer or a Restricted Subsidiary acquired the property, including any acquisition by means of a merger or consolidation with or into the Issuer or any Restricted Subsidiary; *provided*, however, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such acquisition; *provided* further, however, that such Liens may not extend to any other property owned by the Issuer or any Restricted Subsidiary;

(10) Liens securing Indebtedness or other obligations of the Issuer or any Restricted Subsidiary under a cash pool or similar arrangement owed to a Restricted Subsidiary;

(11) Liens arising in connection with conditional sale or retention of title arrangements (*Eigentumsvorbehalt*) or similar arrangements entered into in the ordinary course of business;

(12) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured; *provided*, however, that any such Lien is limited to all or part of the same security package that secured the Indebtedness being refinanced and shall rank the same priority as the Indebtedness being refinanced;

(13) Liens to secure Indebtedness permitted by clause (ix) of the second paragraph of the covenant set forth under "*—Covenants—Limitation on Indebtedness*"; *provided* that any such Lien shall be limited to the asset financed with such Indebtedness;

(14) Liens securing any Indebtedness of a Restricted Subsidiary owed to the Issuer or another Restricted Subsidiary, *provided* that such Liens are subordinated to the Liens securing the Notes;

(15) Liens on Securitization Assets and related assets incurred in connection with any Qualified Securitization Financing;

(16) Liens in favor of the Issuer or any Guarantor or, as long as such Lien does not secure any obligation of the Issuer or a Guarantor, any Restricted Subsidiary that is not a Guarantor;

(17) leases (including operating leases), licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(18) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(19) Liens created for the benefit of (or to secure) the Notes (or any Note Guarantee);

(20) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(21) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;

(22) minor survey exceptions, minor encumbrances, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property or Liens incidental to the conduct of the business of such Person or to the ownership of its properties which were not Incurred in connection with Indebtedness and 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 such Person;

(23) (a) mortgages, liens, security interests, 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;

(24) 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;

(25) Liens on specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(26) Liens pursuant to (a) Section 8a of the German Partial Retirement Act (*Altersteilzeitgesetz*); (b) Section 7d of the German Social Law Act No. 4 (*Sozialgesetzbuch IV*); or (c) Section 1136 (alone or in conjunction with Section 1192(1)) of the German Civil Code (*Bürgerliches Gesetzbuch*);

(27) Liens created or subsisting by virtue of hereditary building rights (*Erbbaurechte*);

(28) Liens granted in connection with any customary cash management, cash pooling or netting or setting-off arrangements entered into in the ordinary course of business (as determined in good faith by the Issuer's Board of Directors);

(29) Liens on assets of the Issuer and its Restricted Subsidiaries with respect to obligations not to exceed the greater of (x) €30 million and (y) 7% of Consolidated EBITDA at any time; and

(30) 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 escrow accounts or similar arrangement to be applied for such purpose.

"**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 entity, any dividends or other distributions, intercompany loans or other intercompany balances to fund any income Taxes for which such parent entity is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis 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, in an aggregate amount not the exceed the product of (x) the highest combined marginal federal and applicable state, provincial, territorial, and/or local statutory income Tax rate and (y) the taxable income of the Issuer for such taxable year (or portion thereof).

"**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.

"**Public Market**" means any time after:

(1) an Equity Offering has been consummated; and

(2) at least 20% of the total issued and outstanding ordinary shares or common equity interests of the Issuer or relevant Holding Company, as applicable, has been distributed to investors other than the Permitted Holders or any other direct or indirect shareholders of the Issuer as of the Issue Date.

"**Purchase Money Obligations**" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, design, installation, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets or otherwise.

"**Qualified Securitization Financing**" means any financing pursuant to which the Issuer or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to any other Person or grant a security interest in, any accounts receivable (and related assets) in any aggregate principal amount equivalent to the Fair Market Value of such accounts receivable (and related assets) of the Issuer or any of its Restricted Subsidiaries; *provided* that (a) the covenants, events of default and other provisions applicable to such financing shall be on market terms (as determined in good faith by the Issuer's Board of Directors or an Officer) at the time such financing is entered into, (b) the interest rate applicable to such financing shall be a market interest rate (as determined in good faith by the Issuer's Board of Directors or an Officer) at the

time such financing is entered into and (c) such financing shall be non-recourse to the Issuer or any of its Restricted Subsidiaries except to a limited extent customary for such transactions.

"**Rating Agencies**" means Fitch Ratings, Inc., Moody's Investors Service Inc. and Standard & Poor's Ratings Group, Inc.

"**Refinancing Indebtedness**" means Indebtedness that refinances any Indebtedness Incurred or existing as permitted under and in compliance with the Indenture; *provided*, however, that:

(1) the Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being refinanced;

(2) such Refinancing Indebtedness has an aggregate principal amount (or, if issued with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or, if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus all accrued interest and the amount of all fees and expenses, including any premiums, Incurred in connection with such refinancing);

(3) if the Indebtedness being refinanced is subordinated in right of payment to the Notes or any Note Guarantee, such Refinancing Indebtedness is subordinated in right of payment to the Notes or such Note Guarantee, as the case may be, on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced;

(4) if the Indebtedness being refinanced is Indebtedness of the Issuer or a Guarantor, the Refinancing Indebtedness may not be Indebtedness of or Guaranteed by a Restricted Subsidiary that is not a Guarantor; and

(5) such Refinancing Indebtedness is Incurred either by the Issuer or a Guarantor (if the Issuer or a Guarantor was the obligor of the Indebtedness being refinanced, replaced or discharged) or by the Restricted Subsidiary that was the obligor of the Indebtedness being refinanced, replaced or discharged and is Guaranteed only by Persons who were obligors or Guarantors of the Indebtedness being refinanced, replaced or discharged.

"**Related Business**" means any of the businesses engaged in by the Issuer and its Subsidiaries on the Issue Date, and any services, activities or businesses incidental or directly related or similar thereto, or any line of business or business activity that is a reasonable extension, development, application or expansion thereof or ancillary thereto (including by way of geography or product or service line).

"**Related Taxes**" means:

(1) any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Holding Company), required to be paid (provided such Taxes are in fact paid) by any Holding Company by virtue of its:

   (a) being organized or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any of its Subsidiaries);

   (b) issuing or holding Subordinated Shareholder Debt;

   (c) being a holding company, directly or indirectly, of the Issuer or any of its Subsidiaries;

   (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any of its Subsidiaries; or

   (e) having made any payment in respect to any of the items for which the Issuer is permitted to make payments to any Person pursuant to "*—Covenants—Limitation on Restricted Payments*"; or

(2) if and for so long as the Issuer is a member of a group filing a consolidated or combined tax return with any Holding Company, any Taxes measured by income for which such Holding Company is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and its Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Subsidiaries.

"**Restricted Investment**" means any Investment other than a Permitted Investment.

"**Restricted Payment**" means:

(1) the declaration or payment of any dividend or any distribution (whether made in cash, securities or other property) by the Issuer or any Restricted Subsidiary on or in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) other than:

   (a) dividends or distributions payable solely in Capital Stock of the Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer and dividends or distributions payable solely in Subordinated Shareholder Debt; and

   (b) dividends or distributions payable to the Issuer or a Restricted Subsidiary and, if the Restricted Subsidiary paying such dividends or distributions is not a Wholly Owned Subsidiary, to its other holders of common Capital Stock on a *pro rata* basis;

(2) the purchase, redemption or other acquisition for value of any Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) of the Issuer or any direct or indirect parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));

(3) the purchase, repurchase, redemption, defeasance or other acquisition for value, prior to scheduled maturity or scheduled repayment of any Indebtedness of the Issuer or any Guarantor that is contractually subordinated to the Notes or to any Note Guarantee (excluding any intercompany Indebtedness between or among the Issuer and any Guarantor), other than the purchase, repurchase, redemption, defeasance or other acquisition of any Indebtedness of the Issuer or any Guarantor that is contractually subordinated to the Notes or to any Note Guarantee purchased in anticipation of satisfying a sinking fund obligation, principal instalment or final maturity, in each case due within one year of the date of such purchase, repurchase, redemption, defeasance, other acquisition or scheduled repayment;

(4) any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Debt; or

(5) the making of any Restricted Investment in any Person.

The amount of all Restricted Payments (other than cash) shall be the Fair Market Value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The determination of the Fair Market Value shall be determined conclusively by the Board of Directors of the Issuer acting in good faith.

"**Restricted Subsidiary**" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"**Securities Act**" means the U.S. Securities Act, as amended and the rules and regulation of the U.S. Securities and Exchange Commission promulgated thereunder.

"**Securitization Assets**" means any accounts receivable subject to a Qualified Securitization Financing.

"**Securitization Fees**" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not the Issuer or any of its Restricted Subsidiaries in connection with any Qualified Securitization Financing.

"**Securitization Repurchase Obligation**" means any obligation of a seller of Securitization Assets in a Qualified Securitization Financing to repurchase Securitization Assets arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"**Security Agent**" means Deutsche Bank Luxembourg S.A., as security agent pursuant to the Intercreditor Agreement or any successor or replacement security agent acting in such capacity.

"**Security Documents**" means any agreement or document that provides for a Lien over any Collateral for the benefit of the Holders in each case as amended or supplemented from time to time.

"**Senior Facilities Agreement**" means the Senior Facilities Agreement agreement originally dated July 6, 2018, as amended from time to time, and to be further amended by a fourth amendment and restatement agreement to be entered into on or prior to the Issue Date, between, among others, Deutsche Bank AG, London Branch, HSBC Bank plc and UniCredit Bank AG as mandated lead arrangers and bookrunners, certain financial institutions as original lenders, the Issuer as original borrower and original guarantor, and Deutsche Bank Luxembourg S.A. as facility agent and security agent.

"**Senior Facilities Lenders**" means the "Finance Parties" as defined under the Senior Facilities Agreement.

"**Significant Subsidiary**" means any Restricted Subsidiary which has earnings before interest, tax, depreciation and amortization (calculated on the same basis as Consolidated EBITDA) representing 10% or more of Consolidated EBITDA or which has total assets or sales representing 10% or more of the total assets or sales of the Issuer and its consolidated Subsidiaries (respectively), in each case, after elimination of any effects of any intra-group transactions, and determined by reference to the most recent audited consolidated financial statements of the Issuer and the most recent audited (if available) or unaudited (if audited statements are not available) unconsolidated financial statements of such Restricted Subsidiary.

"**Stated Maturity**" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"**Subordinated Indebtedness**" means, with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes pursuant to a written agreement.

"**Subordinated Shareholder Debt**" means any Indebtedness provided to the Issuer held by any Holding Company or any Permitted Holder in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Debt; *provided* that such Subordinated Shareholder Debt:

(1) does not (including upon the happening of any event) mature or require any amortization or other payment of principal prior to the first anniversary of the maturity of the Notes (other than through conversion or exchange of any such security or instrument for Capital Stock of the Issuer (other than Disqualified Stock) or for any other security or instrument meeting the requirements of this definition);

(2) does not (including upon the happening of any event) require the payment of cash interest prior to the first anniversary of the final maturity of the Notes;

(3) does not (including upon the happening of any event) provide for the acceleration of its maturity nor confers any right (including upon the happening of any event) to declare a default or event of default or take any enforcement action, in each case, prior to the first anniversary of the final maturity of the Notes;

(4) is not secured by a Lien on any assets of the Issuer or a Restricted Subsidiary and is not Guaranteed by any Subsidiary of the Issuer;

(5) is subordinated in right of payment to the prior payment in full in cash of the Notes in the event of any default, bankruptcy, reorganization, liquidation, winding up or other disposition of assets of the Issuer;

(6) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Notes or compliance by the Issuer with its obligations under the Notes and the Indenture;

(7) does not (including upon the happening of an event) constitute Voting Stock; and

(8) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to the date on which the Notes mature other than into or for Capital Stock (other than Disqualified Stock) of the Issuer;

provided, however, that any event or circumstance that results in such Indebtedness ceasing to qualify as a Subordinated Shareholder Debt, such Indebtedness shall constitute an incurrence of such Indebtedness by the Issuer which incurrence will only be permitted to the extent permitted under the provision set forth under "*—Covenants—Limitation on Indebtedness*", and any and all Restricted Payments made through the

use of the net proceeds from the Incurrence of such Indebtedness since the date of the original issuance of such Subordinated Shareholder Debt shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Shareholder Debt.

"**Subsidiary**" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election or appointment of directors or managers of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership or limited liability company of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"**Taxes**" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including, without limitation, interest, penalties and other liabilities with respect thereto) that are imposed by any government or other taxing authority.

"**Transactions**" has the meaning given to such term in this offering memorandum under the caption "*Summary—The Transactions*".

"**Unrestricted Subsidiary**" means:

(1) any Subsidiary of the Issuer that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of the Issuer in the manner provided for under "*—Covenants—Restricted and Unrestricted Subsidiaries*"; and

(2) any Subsidiary of an Unrestricted Subsidiary.

"**Voting Stock**" of a corporation or company means all classes of Capital Stock of such corporation or company then outstanding and normally entitled to vote in the election of directors.

"**Wholly Owned Subsidiary**" means a Restricted Subsidiary, all of the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another Wholly Owned Subsidiary) is owned by the Issuer or another Wholly Owned Subsidiary.

BOOK-ENTRY, DELIVERY AND FORM

General

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 Notes**"). 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 Global Notes will be deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

Ownership of interests in the 144A Global Notes ("**144A Book-Entry Interests**") and ownership of interests in the Regulation S Global Notes (the "**Regulation S Book-Entry Interest**" and, together with the 144A Book-Entry Interests, the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by, Euroclear and 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 Notes are in global form, owners of interests in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or "holder" of Notes under the Indenture for any purpose.

So long as the Notes are held in global form, 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.

Definitive Registered Notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive definitive registered 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 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 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 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 Notes requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture.

The Global Notes will bear a legend to the effect set forth under "*Transfer Restrictions*". Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Transfer Restrictions*".

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with

Regulation S or Rule 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the U.S. Securities Act in a transaction meeting the requirements of Rule 144A under the U.S. 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 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 we nor the Initial Purchasers are 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 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 Notes will also be settled in immediately available funds.

Initial Settlement

Initial settlement for the Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

TAXATION

The Proposed Financial Transactions Tax (FTT)

The European Commission has published a proposal for a Directive for a common financial transactions tax ("**FTT**") in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain ("**Participating Member States**"). However, Estonia has since stated that it will not participate. The proposal is currently under 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 Notes (including secondary market transactions) in certain circumstances.

According to a draft bill published by the German Federal Ministry of Finance on 10 December 2019, the FTT levied at a rate of 0.2% would be limited to shares of listed companies whose head office is located in a Member State of the European Union and whose market capitalization exceeds EUR 1 billion on 1 December of the preceding year. Based on this draft bill, the FTT would not apply to financial transactions in the Notes.

The FTT proposal remains subject to negotiation between the Participating Member States, is the subject of legal challenge and may therefore not be implemented at all. It may also be altered prior to any implementation, the timing of which (if at all) remains unclear. Additional EU Member States may decide to participate. Prospective Holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Certain German Tax Considerations

Income received from the Notes is subject to taxation. In particular, the tax laws of any jurisdiction with authority to impose taxes on the Holder and the tax laws of the Issuer's state of incorporation, statutory seat and place of effective management, i.e. Germany, might have an impact on the income received from the Notes.

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of the Notes. It does not purport to be a comprehensive description of all German tax considerations that may be relevant to a decision to purchase Notes, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the tax laws of Germany currently in force and as applied on the date of this offering memorandum, which are subject to change, possibly with retroactive or retrospective effect.

The law as currently in effect provides for a reduced tax rate ("**flat tax regime**") for certain investment income and, in particular, interest income on the part of German tax resident private investors. 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. However, the coalition agreement (*Koalitionsvertrag*) of the current German federal government includes the intention to repeal the "flat tax regime" for interest income which would, most likely, result in the taxation of interest income (derived from private investments) at the regular progressive tax rates of up to 45% (plus a 5.5% solidarity surcharge (*Solidaritätszuschlag*) thereon) on the part of German tax resident individuals. It is currently unclear if and when respective legislation measures will be initiated to implement the desired repeal. Moreover, a recently published draft bill of the German federal ministry of finance proposes an incremental repeal of the solidarity surcharge starting as of the year 2021, which shall effectively benefit lower and middle-income individual taxpayers. Pursuant to the draft bill, the solidarity surcharge shall remain in place for purposes of the withholding tax, the flat tax regime and the corporate income tax. Again, specific legislative actions have not yet been initiated.

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposal of the Notes, including the effect of any state, local or church taxes, under the tax laws of Germany and any country of which they are resident or whose tax laws apply to them for other reasons.

Withholding Tax

Ongoing payments, such as interest payments, received by an individual Holder of the Notes will be subject to German withholding tax (*Kapitalertragsteuer*) if the Notes are kept or administered in a custodial account with a German financial institution (*i.e.*, a bank, a financial services institution, a securities trading

company or a securities trading bank (each, a "Disbursing Agent", *auszahlende Stelle*)). The term German financial institution includes a German branch of a foreign financial institution but not a foreign branch of a German financial institution. The withholding tax rate is 25% (plus solidarity 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 the case of such a blocking notice (*Sperrvermerk*), 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 Notes ("**Accrued Interest**", *Stückzinsen*) derived by an individual Holder irrespective of any holding period provided the Notes have been held in a custodial account with the same Disbursing Agent since the time of their acquisition. If Notes held or managed in the same custodial account were acquired at different points in time, the Notes first acquired will be deemed to have been sold first for the purposes of determining any capital gains. Where the Notes are acquired and/or sold in a currency other than Euro, the sales/ redemption price and/or the acquisition costs have to be converted into Euro on the basis of the foreign exchange rates prevailing on the sale or redemption date and the acquisition date respectively. If interest claims are disposed of separately (*i.e.*, without the Notes), the proceeds from the disposition are subject to withholding tax. The same applies to proceeds from the redemption or collection of interest claims if the Notes have been disposed of separately.

To the extent that the Notes have not been kept 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 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, the Principality of Liechtenstein, the Republic of San Marino, the Principality of Monaco and the Principality of Andorra.

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 Notes via the Disbursing Agent (e.g., losses from the sale of other securities with the exception of shares). The Disbursing Agent may also deduct Accrued Interest on the 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 other 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 Notes has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the competent tax office.

German withholding tax will generally not apply to gains from the disposal, redemption, repayment or assignment of 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 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 received on the Notes by non-tax 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 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 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 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 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 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 Notes may only be offset with investment income of the individual Holder realized in the same or following tax assessment periods. Certain particularities apply based on the decree of the German Federal Ministry of Finance dated January 18, 2016 (IV C 1—S 2252/08/10004) (as amended) ("**Decree**").

Pursuant to the Decree a bad debt loss (*Forderungsausfall*) and a waiver of a receivable (*Forderungsverzicht*), to the extent that the waiver does not qualify as a hidden capital contribution, shall not be treated as a disposal. Accordingly, losses suffered upon such bad debt loss or waiver are not tax deductible if the Notes are held as private investment (*Privatvermögen*). The same rules should apply according to the Decree, if the Notes expire worthless so that losses may not be tax deductible at all. In contrast thereto, the German Federal Fiscal Court (BFH, October 24, 2017—VIII R 13/15) decided that a finally suffered bad debt loss is tax deductible. The German Federal Fiscal Court did not decide whether this also applies in case of debt waiver. The new ruling has not been officially acknowledged by the German Federal Ministry of Finance and, therefore, has not been published in the Federal Tax Gazette (*Bundessteuerblatt*). The Regional Tax Office North Rhine-Westphalia has since published guidance that the ruling should therefore not be used apart from the specific case which was decided by the court, as the coordination of the supreme tax authorities of the federation and the German states on whether the ruling shall be published in the Federal Tax Gazette has not taken place yet (Regional Tax Office North Rhine-Westphalia, information note (income tax) no. 01/2018 dated January 23, 2018). With respect to a (voluntary) waiver of receivable a lower German fiscal court confirmed the view of the German tax authorities in a final decision and another lower German fiscal court rejected the jurisdiction of the German Federal Fiscal Court with respect to the tax deductibility of a bad debt loss. Further decisions in this context are currently still pending with the German Federal Fiscal Court. In addition, in a recently published decision by the German Federal Fiscal Court with regard to losses incurred in connection with knock-out certificates due to the fact of exceeding the knock-out threshold the German Federal Fiscal Court took the view that such a case (*i.e.* no payments from the day of exceeding the knock-out threshold) shall be treated similar to a bad debt loss as a sale at the value zero, so that losses suffered shall also be deductible for tax purposes (BFH, November 20, 2018—VIII R 37/15).It remains unclear if and to what extent the German tax authorities will change their position as currently published with respect to the treatment of capital losses.

Furthermore, capital losses might not be recognized by the German tax authorities if the Notes are sold at a market price which is lower than the transaction costs or if the level of transaction costs is restricted because of a mutual agreement that the transaction costs are calculated by subtracting a certain amount from the sales price or if no (or only *de minimis*) payments are made to the individual investors on the maturity or redemption date of the Notes. This view has however been challenged by the judgement of the German Federal Fiscal Court published in September 2018 (BFH, June 12, 2018—VIII R 32/16). While the German tax authorities previously took the position that a disposal (and, as a consequence, a tax loss resulting from such disposal) shall not be recognized if the Notes are sold at a market price which is lower than the transaction costs or if the level of transaction costs is restricted because of a mutual agreement that the transaction costs are calculated by subtracting a certain amount from the sales price, the German Federal Ministry of Finance has recently published an amendment to the Decree (dated 10 May 2019) agreeing with the judgement of the German Federal Fiscal Court that the recognition as disposal shall not depend on the amount of any consideration or the amount of the transaction costs.

Where Notes form part of a trade or business of an individual or corporate Holder, the withholding tax, if any, will not settle 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 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 Notes form part of a German trade or business the current income and capital gains from the disposal, redemption, repayment or assignment of the 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 generally 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 Notes received by Holders who are not tax resident in Germany are generally not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the Holder or (ii) the income otherwise constitutes German source income (such as income from capital investments directly or indirectly secured by German-situs real estate (unless the Notes qualify as global notes (*Sammelurkunde*) within the meaning of Section 9a of the German Custody Act (*Depotgesetz*) or as fungible notes representing the same issue (*Teilschuldverschreibung*)) or income from profit participating instruments, neither of which should be fulfilled in the view of the Issuer). 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 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 Notes form part of the business property of a German permanent establishment as described in this paragraph above, 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 under an applicable double taxation treaty (*Doppelbesteuerungsabkommen*) and German tax law.

Inheritance and Gift Tax

A gratuitous transfer of Notes by reason of death or as a gift will be subject to German inheritance or gift tax if the decedent or donor or the heir, donee or other beneficiary is at the time of the transfer a resident or deemed to be a resident of Germany 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 unless (i) the Notes

are attributable to a German trade or business for which a permanent establishment is maintained or a permanent representative has been appointed in Germany or (ii), which in the view of the Issuer should not be the case here, the obligations under the Notes are directly or indirectly secured by German-situs real estate (unless the Notes qualify as fungible notes representing the same issue (*Teilschuldverschreibungen*)).

Should a double tax treaty be applicable in the individual case, however, German taxation provisions may be restricted thereby.

Other Taxes

No stamp, issue or registration taxes or such duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes (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 Notes which would otherwise be tax exempt. Currently, net assets tax (*Vermögensteuer*) is not levied in Germany.

Certain U.S. Federal Income Tax Considerations

The following is a discussion of certain U.S. federal income tax considerations related to the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. This discussion is limited to consequences relevant to a U.S. holder (as defined below) except for the discussion of Additional Notes (as defined under "*—Additional Notes*") and does not address the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. This discussion is based upon the U.S. Internal Revenue Code of 1986, as amended (the "***Code***"), Treasury regulations issued thereunder (the "**Treasury Regulations**"), and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. No rulings from the U.S. Internal Revenue Service (the "**IRS**") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances, including the impact of the unearned income Medicare contribution tax, or to holders subject to special rules, such as certain financial institutions, U.S. expatriates, insurance companies, individual retirement accounts, dealers in securities or currencies, traders in securities or currencies, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt entities, regulated investment companies, real estate investment trusts, partnerships or other pass through entities and investors in such entities, persons liable for alternative minimum tax, U.S. holders that are resident in or have a permanent establishment in a jurisdiction outside the United States, persons holding the 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 Notes being taken into account in an applicable financial statement. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (*i.e.*, the first price at which a substantial amount of the Notes is sold to the public for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of Section 1221 of the Code (generally for investment).

For purposes of this discussion, a "**U.S. holder**" is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person.

If any entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership considering an investment in the Notes, and partners in

such a partnership, should consult their tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding the Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of other federal, state, local, foreign or other tax laws.

Additional Payments

In certain circumstances (see, e.g., "*Description of the Notes—Repurchase at the Option of Holders upon a Change of Control*"), we may be obligated to make payments on the Notes in excess of stated principal and interest. We intend to take the position that the foregoing contingencies should not cause the Notes to be treated as contingent payment debt instruments under the applicable Treasury Regulations. Assuming such position is respected, a U.S. holder would be required to include in income the amount of any such additional payments at the time such payments are received or accrued in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes. Our position is binding on a holder, unless the holder discloses in the proper manner to the IRS that it is taking a different position. If the IRS successfully challenged our position, and the Notes were treated as contingent payment debt instruments, U.S. holders would be required to accrue interest income at a rate higher than their yield to maturity, regardless of the holder's method of accounting, to treat as ordinary income, rather than capital gain, any gain recognized on a sale, exchange, retirement or redemption of a Note, and to recognize foreign currency exchange gain or loss with respect to such income in a manner different than that described below. The remainder of this discussion assumes that the Notes will not be considered contingent payment debt instruments. U.S. holders are urged to consult their tax advisors regarding the potential application to the Notes of the contingent payment debt instrument rules and the consequences thereof.

Payments of Stated Interest

Payments of stated interest on the Notes (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a U.S. holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes. If a U.S. holder is subject to withholding taxes, such U.S. holder shouöd consult their tax advisors regarding the availability of relief from withholding or a refund of any withheld taxes under the U.S.-Germany tax treaty.

A U.S. holder that uses the cash method of accounting for U.S. federal income tax purposes and that receives a payment of stated interest on the Notes will be required to include in income (as ordinary income) the U.S. dollar value of the euro interest payment (translated at the spot rate of exchange on the date such payment is received) regardless of whether the payment is in fact converted to U.S. dollars at such time. A cash method U.S. holder will not recognize foreign currency exchange gain or loss with respect to the receipt of such interest, but may recognize exchange gain or loss attributable to the actual disposition of the euro so received.

A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes (or who otherwise is required to accrue interest prior to receipt) will be required to include in income (as ordinary income) the U.S. dollar value of the amount of stated interest income in euro that has accrued with respect to its Notes during an accrual period. The U.S. dollar value of such euro denominated accrued interest will be determined by translating such amount at the average spot rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate of exchange for the partial period within each taxable year. An accrual basis U.S. holder may elect, however, to translate such accrued interest income into U.S. dollars at the spot rate of exchange on the last day of the interest accrual period or, with respect to an accrual period that spans two taxable years, at the spot rate of exchange on the last day of the taxable year. Alternatively, if the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a U.S. holder that has made the election described in the prior sentence may translate such interest at the spot rate of exchange on the date of receipt of the interest. The above election will apply to other debt instruments held by an electing U.S. holder and may not be changed without the consent of the IRS. A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes will recognize exchange gain or loss with respect to accrued interest income on the date such interest is received. The amount of exchange gain or loss recognized will equal the difference, if any, between the U.S. dollar value of the euro payment received (translated at the spot rate

of exchange on the date such interest is received) in respect of such accrual period and the U.S. dollar value of the interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to U.S. dollars at such time. Any such exchange gain or loss generally will constitute ordinary income or loss and be treated, for foreign tax credit purposes, as U.S. source income or loss, and generally not as an adjustment to interest income or expense.

Foreign Tax Credit

Stated interest income on a Note generally will constitute foreign source income and generally will be considered "passive category income" in computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws. Any non-U.S. withholding tax paid by or on behalf of a U.S. holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations (including holding period and at risk rules). If a refund of any tax withheld is available under any applicable income tax treaty, the amount of tax withheld that is refundable will not be eligible for such credit against a U.S. holder's U.S. federal income tax liability (and will not be eligible for the deduction against U.S. federal taxable income). There are significant complex limitations on a U.S. holder's ability to claim foreign tax credits. U.S. holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes.

Sale, Exchange, Retirement, Redemption or Other Taxable Disposition of Notes

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder generally will recognize gain or loss equal to the difference, if any, between the amount realized upon such disposition (less any amount equal to any accrued but unpaid stated interest, which will be taxable as interest income as discussed above to the extent not previously included in income by the U.S. holder) and such U.S. holder's adjusted tax basis in the Note.

A U.S. holder's adjusted tax basis in a Note will, in general, be the cost of such Note to such U.S. holder. The cost of a Note purchased with foreign currency will generally be the U.S. dollar value of the foreign currency purchase price translated at the spot rate on the date of purchase. If the applicable Note is treated as traded on an established securities market and the relevant U.S. holder is either a cash basis taxpayer or an accrual basis taxpayer who has made the special election described below, such U.S. holder will determine the U.S. dollar value of the cost of such Note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

If a U.S. holder receives foreign currency on such a sale, exchange, retirement, redemption or other taxable disposition of a Note, the amount realized generally will be based on the U.S. dollar value of such foreign currency translated at the spot rate of exchange on the date of disposition. In the case of a Note that is considered to be traded on an established securities market, a cash basis U.S. holder and, if it so elects, an accrual basis U.S. holder, will determine the U.S. dollar value of such foreign currency by translating such amount at the spot rate of exchange on the settlement date of the disposition. The special election available to accrual basis U.S. holders in regard to the purchase or disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the U.S. holder and cannot be changed without the consent of the IRS. An accrual basis U.S. holder that does not make the special election will recognize foreign currency exchange gain or loss to the extent that there are exchange rate fluctuations between the disposition date and the settlement date, and such gain or loss generally will constitute U.S. source ordinary income or loss.

Gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note that is attributable to fluctuations in currency exchange rates with respect to the principal amount of such Note generally will be U.S. source ordinary income or loss and generally will not be treated as interest income or expense. Such gain or loss generally will equal the difference, if any, between the U.S. dollar value of the U.S. holder's foreign currency purchase price for the Note, translated at the spot rate of exchange on the date principal is received from the Issuer or the U.S. holder disposes of the Note, and the U.S. dollar value of the U.S. holder's foreign currency purchase price for the Note, translated at the spot rate of exchange on the date the U.S. holder purchased such Note. In addition, upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder may recognize foreign currency exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest which will be treated as discussed above under "*—Payments of Stated Interest*". However, upon a sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder will recognize

any foreign currency exchange gain or loss (including with respect to accrued and unpaid stated interest) only to the extent of total gain or loss realized by such U.S. holder on such disposition.

Any gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note in excess of foreign currency exchange gain or loss attributable to such disposition generally will be U.S. source gain or loss and generally will be capital gain or loss. Capital gains of non-corporate U.S. holders (including individuals) derived in respect of capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

U.S. holders should consult their tax advisors regarding how to account for payments made in a foreign currency with respect to the acquisition, sale, exchange, retirement or other taxable disposition of a Note and the foreign currency received upon a sale, exchange, retirement or other taxable disposition of a Note.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to payments of interest on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a U.S. holder unless such U.S. holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the U.S. holder fails to provide a correct taxpayer identification number or a certification that it is not subject to backup withholding, or otherwise fails to comply with the applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Additional Notes

The issuer may issue additional notes ("**Additional Notes**") as described under "*Description of Notes*". These Additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes in some cases, may be treated as a separate series for U.S. federal income tax purposes. In such a case, the Additional Notes may be considered to have OID which may adversely affect the market value of the original Notes of such series if the Additional Notes are not otherwise distinguishable from the original Notes.

Tax Return Disclosure Requirements

Treasury Regulations require the reporting to the IRS of certain foreign currency transactions giving rise to losses in excess of a certain minimum amount, such as the receipt or accrual of interest on or a sale, exchange, retirement, redemption or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note. U.S. holders should consult their tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

U.S. holders who are individuals and who own "specified foreign financial assets" with an aggregate value in excess of certain minimum thresholds at any time during the tax year generally are required to file an information report (IRS Form 8938) with respect to such assets with their tax returns. If a U.S. 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 U.S. 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 Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at certain financial institutions. Under certain circumstances, an entity may be treated as an individual for purposes of these rules.

U.S. holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership of the Notes, including the significant penalties for non-compliance.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase and holding of the Notes 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 (pursuant to Section 3(42) of ERISA and regulations promulgated under ERISA by the U.S. Department of Labor) (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-U.S. 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-U.S., federal, state, or local laws or regulations that are substantially similar to Title I 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-U.S. plan considering an investment in the Notes (together with ERISA Plans, "**Plans**") 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, a Plan fiduciary should determine 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 Law relating to a 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 Parent Guarantor, the Initial Purchaser, and the Trustee and their respective affiliates (collectively, the "**Transaction Parties**") is acting, or will 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 impartial 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 an exemption is available. Such transactions are referred to as "prohibited transactions" and 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 fiduciaries 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 we do not provide any, assurance that any PTCE or any other exemption will be available with respect to any particular transaction involving the notes.

Similar Laws governing the investment and management of the assets of governmental plans, certain church plans and non-U.S. plans which are not subject to ERISA and the Code may contain fiduciary responsibility and prohibited transaction requirements similar to those under Title I of ERISA and Section 4975 of the Code. Accordingly, fiduciaries of such Plans, in consultation with their counsel, should consider the impact of Similar Laws on investments in the Notes and the considerations discussed above, to the extent applicable.

Because of the foregoing, the Notes should not be purchased or held by any person investing "plan assets" of any Plan, unless such acquisition, holding and subsequent disposition will not constitute a non-exempt prohibited transaction under ERISA and the Code or similar violation of any applicable Similar Laws. Accordingly, by acceptance of a Note, each purchaser and subsequent transferee will be deemed to have represented and agreed that either (i) no portion of the assets used by such purchaser or transferee to acquire and hold the Notes or an interest therein constitutes assets of any Plan or (ii) (a) the acquisition, holding and disposition by such purchaser or transferee of the Notes or an 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 similar violation under any applicable Similar Laws, and (b) none of the Transaction Parties has acted as the Plan's fiduciary, or has been relied upon for any advice, with respect to the Plan's decision to acquire a Note and none of the Transaction Parties will at any time be relied upon as the Plan's fiduciary with respect to any decision to acquire, continue to hold or transfer a Note

In addition, each purchaser and subsequent transferee of a Note that is an ERISA Plan will be deemed to represent that (a) none of the Transaction Parties has acted as the Plan's fiduciary, or has been relied upon for any advice, with respect to the Plan's decision to acquire a note and none of the Transaction Parties will at any time be relied upon as the Plan's fiduciary with respect to any decision to acquire, continue to hold or transfer a Note and (b) the decision to acquire and hold a Note has been made be a duly authorized fiduciary who (i) is independent (as that term is used in US Code of Federal Regulations 29 C.F.R. Section 2510.3-21(c)(1), as amended from time to time) of the Transaction Parties, (ii) is a (a) bank as defined in Section 202 of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**") or similar institution that is regulated and supervised and subject to periodic examination by a state or federal agency of the United States, (b) insurance carrier which is qualified under the laws of more than one state of the United States to perform the services of managing, acquiring or disposing of assets of such a Plan, (c) an investment adviser registered under the Advisers Act or, if not registered an as investment adviser under the advisers act by reason of paragraph (1) of section 203a of the Advisers Act, is registered as an investment adviser under the laws of the state (referred to in such paragraph (1)) in which it maintains its principal office and place of business, (d) broker-dealer registered under the Securities Exchange Act of 1934, as amended or (e) an "independent fiduciary" within the meaning of US Code of Federal Regulations 29 C.F.R. Section 2510.3-21(c), as amended from time to time, that holds or has at least $50 million of assets under management or control, (iii) in the case of a Plan that is an individual retirement account ("**IRA**"), is not the IRA owner, beneficiary of the IRA or relative of the IRA owner or beneficiary, (iv) is capable of evaluating investment risks independently, both in general and with regard to

the prospective investment in a Note, (v) is a fiduciary under ERISA or the Code, or both, with respect to the decision to acquire a Note, (vi) has exercised independent judgment in evaluating whether to invest the assets of the Plan in a Note, (vii) understands and has been fairly informed of the existence and the nature of the financial interests of the Transaction Parties in connection with the Plan's acquisition of a Note, as more fully described in this offering memorandum (viii) understands that the Transaction Parties are not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity to the Plan, in connection with the Plan's acquisition of a Note and (ix) confirms that no fee or other compensation will be paid directly to any of the Transaction Parties by the Plan, or any fiduciary, participant or beneficiary of the Plan, for the provision of investment advice (as opposed to other services) in connection with the Plan's acquisition of a Note. The foregoing representations are intended to comply 29 C.F.R. Sec. 2510.3-21(a) and (c)(1) as promulgated on April 8, 2016 (81 Fed. Reg. 20,997). To the extent that these regulations are revoked, repealed or no longer effective, these representations shall be deemed to be no longer in effect.

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.

PLAN OF DISTRIBUTION

The Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Issuer, the entire principal amount of the Notes. Each of the sales will be made pursuant to a purchase agreement among the Issuer, the Parent Guarantor and the Initial Purchasers to be dated the date of the final offering memorandum (the "**Purchase Agreement**").

The Purchase Agreement provides that the Initial Purchasers will purchase all the Notes if they purchase any of them.

The Initial Purchasers initially propose to offer the Notes for resale at the issue price that appears on the cover of this Offering Memorandum. After the initial offering of the Notes, the Initial Purchasers may change the price at which the Notes are offered and any other selling terms at any time without notice. The Initial Purchasers may offer and sell the Notes through certain of their affiliates, including in respect of sales into the United States. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel and our counsel. The Purchase Agreement also provides that, if the Initial Purchasers default, the purchase commitments of the non-defaulting Initial Purchasers may be increased or, in some cases, the offering may be terminated.

The Purchase Agreement provides that we will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. We have agreed not to offer, sell, contract to sell or otherwise dispose of, except as provided under the Purchase Agreement, any debt securities of, or guaranteed by, the Issuer or any of its subsidiaries that are substantially similar to the Notes during the period from the date of the Purchase Agreement until the date falling 120 days after the date of the final offering memorandum without the prior written consent of the Initial Purchasers.

The Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except to qualified institutional buyers in reliance on Rule 144A and to certain persons in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under "*Important Information*".

The Initial Purchasers have 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 FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Parent Guarantor; and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this Offering Memorandum and resale of the Notes. See "*Important Information*".

The Issuer has also agreed that it 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 Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

The Notes are a new issue of securities for which there currently is no market. The Issuer will apply, through its listing agent, to list the Notes on the Official List of the Exchange, however, the Issuer cannot assure you that the listing will be obtained or, if obtained, maintained.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market making activity will be subject to the limits imposed by the Securities Act and the U.S. Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See "*Risk Factors—Risks Related to the Notes—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited*".

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be ten business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "T + 10"). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Memorandum or the following seven business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions.

In connection with the offering, the Stabilizing Manager, or a person acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager may bid for and purchase Notes in the open markets for the purpose of pegging, fixing or maintaining the price of the Notes. The Stabilizing Manager may also over-allot the offering, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. See "*Risk Factors—Risks Related to the Notes—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited*". These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions may begin on or after the date on which adequate public disclosure of the terms of the offering of the Notes is made and, if commenced, may be discontinued at any time at the sole discretion of the Initial Purchasers. If these activities are commenced, they must end no later than the earlier of 30 days after the date of issuance of the Notes and 60 days after the date of the allotment of the Notes. These transactions may be effected in the over-the-counter market or otherwise.

The Initial Purchasers and their 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 Purchasers or their 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 us and our affiliates in the ordinary course of business, for which they have received or may receive customary fees and commissions. Deutsche Bank AG, London Branch, HSBC Bank PLC, UniCredit Bank AG and/or certain of their respective affiliates

are mandated lead arrangers and lenders under the Senior Facilities Agreement (including under the Revolving Credit Facility). Deutsche Bank Luxembourg S.A., an affiliate of Deutsche Bank AG, London Branch, acts as security agent under the Senior Facilities Agreement and will act as security agent under the Indenture. In addition, J.P. Morgan Securities plc and certain of its affiliates are arranger and lender under the Bridge Facility Agreement. The Initial Purchasers or their affiliates may also receive allocations of the Notes.

The proceeds from the offering of the Notes will be used to repay indebtedness outstanding under the Revolving Credit Facility and the Bridge Facility and accordingly the Initial Purchasers or certain of their respective affiliates will receive a portion of the proceeds from the offering of the Notes.

TRANSFER RESTRICTIONS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes and the Guarantee offered hereby.

The Notes and the Guarantee are subject to restrictions on transfer as summarized below. By purchasing Notes, you will be deemed to have made the following acknowledgements, representations to and agreements with the Issuer and the Initial Purchasers:

(1) You understand and acknowledge that:

   (a) the Notes and the Guarantee have not been registered under the U.S. Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the U.S. Securities Act or any other securities laws; and

   (b) unless so registered, the Notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraphs 5 and 6 below.

(2) You acknowledge that this Offering Memorandum relates to an offering that is exempt from registration under the U.S. Securities Act or any other applicable securities laws and may not comply in important respects with SEC rules that would apply to an offering document relating to a public offering of securities in the United States.

(3) You represent that you are not an "affiliate" (as defined in Rule 144 under the U.S. Securities Act) of the Issuer, that you are not acting on our behalf and that either:

   (a) you are a "qualified institutional buyer" (as defined in Rule 144A under the U.S. Securities Act) and are purchasing Notes for your own account or for the account of another qualified institutional buyer, and you are aware that the Initial Purchasers are selling the Notes to you in reliance on Rule 144A; or

   (b) you are not a "U.S. person" (as defined in Regulation S under the U.S. Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing Notes in an offshore transaction in accordance with Regulation S.

(4) You acknowledge that none of the Issuer, the Parent Guarantor, the Initial Purchasers or any person representing the Issuer, the Parent Guarantor or the Initial Purchasers has made any representation to you with respect to the Issuer, the Parent Guarantor or the offering of the Notes, other than the information contained in this Offering Memorandum. Accordingly, you acknowledge that no representation or warranty is made by the Initial Purchasers or any person representing the Initial Purchasers as to the accuracy or completeness of such materials. You represent that you are relying only on this Offering Memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning the Group and the Notes as you have deemed necessary in connection with your decision to purchase Notes, including an opportunity to ask questions of and request information from the Group and the Initial Purchasers.

(5) You represent that you are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the Notes pursuant to Rule 144A or any other available exemption from registration under the U.S. Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing Notes, and each subsequent holder of the Notes by its acceptance of the Notes will agree, that until the end of the Resale Restriction Period (as defined below), the Notes may be offered, sold or otherwise transferred only:

   (a) to the Issuer, the Parent Guarantor or any subsidiaries thereof;

   (b) under a registration statement that has been declared effective under the U.S. Securities Act;

   (c) for so long as the Notes are eligible for resale under Rule 144A, to a person the seller reasonably believes is a qualified institutional buyer that is purchasing for its own account or for the account

of another qualified institutional buyer and to whom notice is given that the transfer is being made in reliance on Rule 144A;

(d) through offers and sales to non-U.S. persons that occur outside the United States within the meaning of Regulation S under the U.S. Securities Act;

(e) under any other available exemption from the registration requirements of the U.S. Securities Act,

subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control and to compliance with any applicable state securities laws and any applicable local laws and regulations.

You also acknowledge that to the extent that you hold the Notes through an interest in a global note, the Resale Restriction Period (as defined below) may continue until one year after the Issuer, or any affiliate of the Issuer, was the owner of such note or an interest in such global note, and so may continue indefinitely.

(6) You also acknowledge that:

(a) the above restrictions on resale will apply from the closing date until the date that is one year (in the case of Rule 144A Notes) after the later of the closing date, the closing date of the issuance of any additional Notes and the last date that we or any of our affiliates was the owner of the Notes or any predecessor of the Notes (the "**Resale Restriction Period**"), and will not apply after the applicable Resale Restriction Period ends;

(b) if a holder of Notes proposes to resell or transfer Notes under clause (e) above before the applicable Resale Restriction Period ends, the seller must deliver to the Issuer and the Transfer Agent a letter from the purchaser in the form set forth in the Indenture which must provide, among other things, that the purchaser is an institutional accredited investor that is acquiring the Notes not for distribution in violation of the U.S. Securities Act;

(c) the Issuer and the Registrar reserve the right to require in connection with any offer, sale or other transfer of Notes under clauses (5)(d) and (e) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Issuer and the Registrar; and

(d) each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE 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 PARENT GUARANTOR OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT ("**RULE 144A**"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR

ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT, OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE 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 U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT.

BY ITS ACQUISITION OF THIS SECURITY, THE HOLDER THEREOF WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE US EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE US INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE (THE FOREGOING COLLECTIVELY REFERRED TO AS "ERISA PLANS"), OR (IV) A GOVERNMENTAL, CHURCH OR NON-US PLAN WHICH IS SUBJECT TO ANY STATE, LOCAL, OTHER FEDERAL LAW OF THE UNITED STATES OR NON-US LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, FOR WHICH AN EXEMPTION IS NOT AVAILABLE, OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH OR NON-US PLAN, A VIOLATION OF ANY SUCH SUBSTANTIALLY SIMILAR STATE, LOCAL, OTHER FEDERAL LAW OF THE UNITED STATES OR NON-US REGULATION; RULE OR LAW.

EACH PURCHASER AND TRANSFEREE OF A NOTE THAT IS AN ERISA PLAN WILL BE DEEMED TO REPRESENT THAT (A) NONE OF THE ISSUER, THE PARENT GUARANTOR, THE INITIAL PURCHASERS, AND THE TRUSTEE AND THEIR RESPECTIVE AFFILIATES (COLLECTIVELY, THE "TRANSACTION PARTIES") HAS ACTED AS THE PLAN'S FIDUCIARY, OR HAS BEEN RELIED UPON FOR ANY ADVICE, WITH RESPECT TO THE PLAN'S DECISION TO ACQUIRE A NOTE AND NONE OF THE TRANSACTION PARTIES WILL AT ANY TIME BE RELIED UPON AS THE PLAN'S FIDUCIARY WITH RESPECT TO ANY DECISION TO ACQUIRE, CONTINUE TO HOLD OR TRANSFER A NOTE AND (B) THE DECISION TO ACQUIRE AND HOLD A NOTE HAS BEEN MADE BE A DULY AUTHORIZED FIDUCIARY WHO (I) IS INDEPENDENT (AS THAT TERM IS USED IN US CODE OF FEDERAL REGULATIONS 29 C.F.R. SECTION 2510.3-21(C)(1), AS AMENDED FROM TIME TO TIME) OF THE TRANSACTION PARTIES, (II) IS A (A) BANK AS DEFINED IN SECTION 202 OF THE INVESTMENT ADVISERS ACT OF 1940, AS AMENDED (THE "ADVISERS ACT") OR SIMILAR INSTITUTION THAT IS REGULATED AND SUPERVISED AND SUBJECT TO PERIODIC EXAMINATION BY A STATE OR FEDERAL AGENCY OF THE UNITED STATES, (B) INSURANCE CARRIER WHICH IS QUALIFIED UNDER THE LAWS OF MORE THAN ONE

STATE OF THE UNITED STATES TO PERFORM THE SERVICES OF MANAGING, ACQUIRING OR DISPOSING OF ASSETS OF SUCH A PLAN, (C) AN INVESTMENT ADVISER REGISTERED UNDER THE ADVISERS ACT OR, IF NOT REGISTERED AN AS INVESTMENT ADVISER UNDER THE ADVISERS ACT BY REASON OF PARAGRAPH (1) OF SECTION 203A OF THE ADVISERS ACT, IS REGISTERED AS AN INVESTMENT ADVISER UNDER THE LAWS OF THE STATE (REFERRED TO IN SUCH PARAGRAPH (1)) IN WHICH IT MAINTAINS ITS PRINCIPAL OFFICE AND PLACE OF BUSINESS, (D) BROKER-DEALER REGISTERED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED OR (E) AN "INDEPENDENT FIDUCIARY" WITHIN THE MEANING OF US CODE OF FEDERAL REGULATIONS 29 C.F.R. SECTION 2510.3-21(C), AS AMENDED FROM TIME TO TIME, THAT HOLDS OR HAS AT LEAST $50 MILLION OF ASSETS UNDER MANAGEMENT OR CONTROL, (III) IN THE CASE OF A PLAN THAT IS AN INDIVIDUAL RETIREMENT ACCOUNT ("IRA"), IS NOT THE IRA OWNER, BENEFICIARY OF THE IRA OR RELATIVE OF THE IRA OWNER OR BENEFICIARY, (IV) IS CAPABLE OF EVALUATING INVESTMENT RISKS INDEPENDENTLY, BOTH IN GENERAL AND WITH REGARD TO THE PROSPECTIVE INVESTMENT IN A NOTE, (V) IS A FIDUCIARY UNDER ERISA OR THE CODE, OR BOTH, WITH RESPECT TO THE DECISION TO ACQUIRE A NOTE, (VI) HAS EXERCISED INDEPENDENT JUDGMENT IN EVALUATING WHETHER TO INVEST THE ASSETS OF THE PLAN IN A NOTE, (VII) UNDERSTANDS AND HAS BEEN FAIRLY INFORMED OF THE EXISTENCE AND THE NATURE OF THE FINANCIAL INTERESTS OF THE TRANSACTION PARTIES IN CONNECTION WITH THE PLAN'S ACQUISITION OF A NOTE, AS MORE FULLY DESCRIBED IN THIS OFFERING MEMORANDUM (VIII) UNDERSTANDS THAT THE TRANSACTION PARTIES ARE NOT UNDERTAKING TO PROVIDE IMPARTIAL INVESTMENT ADVICE, OR TO GIVE ADVICE IN A FIDUCIARY CAPACITY TO THE PLAN, IN CONNECTION WITH THE PLAN'S ACQUISITION OF A NOTE AND (IX) CONFIRMS THAT NO FEE OR OTHER COMPENSATION WILL BE PAID DIRECTLY TO ANY OF THE TRANSACTION PARTIES BY THE PLAN, OR ANY FIDUCIARY, PARTICIPANT OR BENEFICIARY OF THE PLAN, FOR THE PROVISION OF INVESTMENT ADVICE (AS OPPOSED TO OTHER SERVICES) IN CONNECTION WITH THE PLAN'S ACQUISITION OF A NOTE. THE FOREGOING REPRESENTATIONS ARE INTENDED TO COMPLY 29 C.F.R. SEC 2510.3-21(A) AND (C)(1) AS PROMULGATED ON APRIL 8, 2016 (81 FED. REG. 20,997). TO THE EXTENT THAT THESE REGULATIONS ARE REVOKED, REPEALED OR NO LONGER EFFECTIVE, THESE REPRESENTATIONS SHALL BE DEEMED TO BE NO LONGER IN EFFECT.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(1) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of such Notes.

(2) You acknowledge that the Transfer Agent will not be required to accept for registration or transfer any Notes acquired by you except upon presentation of evidence satisfactory to the Issuer and the Transfer Agent that the restrictions set forth therein have been complied with.

(3) You acknowledge that the Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of Notes is no longer accurate, you will promptly notify the Issuer and the Initial Purchasers. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

(4) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer, the Parent Guarantor or any of the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "*Plan of Distribution*".

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for us by Latham & Watkins LLP, as to matters of U.S. federal, New York State, German and English law. Certain legal matters in connection with the Offering will be passed upon for the Initial Purchasers by Freshfields Bruckhaus Deringer LLP as to matters of U.S. federal, New York State, German and English law.

INDEPENDENT AUDITORS

The English language translations of the consolidated financial statements of the Company as of and for the years ended December 31, 2017 and 2018 included in this Offering Memorandum have been audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft ("**Deloitte**"), independent auditors, in accordance with German law and German standards on auditing, as stated in the respective independent auditor's report originally issued in German.

AVAILABLE INFORMATION

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

(1) such person has been afforded an opportunity to request from us and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to clause (1) above, no person has been authorized to give any information or to make any representation concerning the Notes or the Guarantee 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 either us or the Initial Purchasers.

While any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we will, during any period in which we are neither subject to the reporting requirements of Section 13 or 15(d) of the U.S. Exchange Act, nor exempt from the reporting requirements under Rule 12g3-2(b) of the U.S. Exchange Act, provide to any 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 Securities Act.

Pursuant to the Indenture governing the Notes and so long as the Notes are outstanding, we will furnish periodic information to holders of the Notes. See "*Description of the Notes—Certain Covenants—Reports*".

Copies of the Issuer's organizational documents, the Indenture relating to the Notes and our most recent consolidated financial statements published by us may be inspected and obtained at the office of the Paying Agent during normal business hours for a period of 14 days following the grant of listing of the Notes. See "*Listing and General Information*". Copies of such documents will also be available from the Issuer upon written request to the address of the Issuer on and after the grant of listing of the Notes.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer and the Parent Guarantor are incorporated under the laws of the Federal Republic of Germany.

All of our directors, officers and other executives are neither residents nor citizens of the United States. Furthermore, the majority of our assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, the Issuer or the Parent Guarantor or to enforce against them, the Issuer or the Parent Guarantor judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws despite the fact that, pursuant to the terms of the Indenture, the Issuer and the Parent Guarantor have appointed, or will appoint, an agent for the service of process in New York. It may be possible for investors to effect service of process certain jurisdictions provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 and any relevant rules of court applicable in such jurisdictions are complied with.

Germany

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

- U.S. courts could take jurisdiction of the case in accordance with the principles of jurisdictional competence according to German law;
- the document commencing the proceedings was duly served and made known to the defendant in a timely manner that allowed for adequate defense, or in case of noncompliance with such requirement, (i) the defendant does not invoke such noncompliance or (ii) has nevertheless appeared in the proceedings;
- the judgment is not contrary to (i) any judgment which became res judicata rendered by a German court or (ii) any judgment which became res judicata rendered by a foreign court which is recognized in Germany and the procedure leading to the respective judgment does not contradict any such judgment under (i) and (ii) or a proceeding previously commenced in Germany;
- the effects of its recognition will not be in conflict with material principles of German law, including, without limitation, fundamental rights under the constitution of Germany (*Grundrechte*). In this context, it should be noted that any component of a U.S. federal or state court civil judgment awarding punitive damages or any other damages which do not serve a compensatory purpose, such as treble damages, will not be enforced in Germany. They are regarded to be in conflict with material principles of German law;
- the reciprocity of enforcement of judgments is guaranteed; and
- the judgment is final under U.S. federal or state law.

Enforcement and foreclosure based on U.S. judgments may be sought against German defendants after having received an *exequatur* decision from a competent German court in accordance with the above principles. Subject to the foregoing, investors may be able to enforce judgments in Germany in civil and commercial matters obtained from U.S. federal or state courts. However, we cannot assure you that those judgments will be enforceable. Enforcement is also subject to the effect of any applicable bankruptcy, insolvency, reorganization, liquidation, moratorium as well as other similar laws affecting creditors' rights generally. In addition, it is doubtful whether a German court would accept jurisdiction and impose civil liability in an original action predicated solely upon U.S. federal securities laws.

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

If the party in whose favor such final judgment is rendered brings a new lawsuit in a competent court in Germany, such party may submit to the German court the final judgment rendered in the United States. Under such circumstances, a judgment by a federal or state court of the United States will be regarded by a German court only as evidence of the outcome of the dispute to which such judgment relates. A German court may choose to re-hear the dispute and may render a judgment not in line with the judgment rendered by a federal or state court of the United States.

CERTAIN LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEE AND THE COLLATERAL AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

The following is a summary of certain insolvency law considerations regarding the European Union and the Federal Republic of Germany. 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 Notes*".

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 in respect of the company under the EU Insolvency Regulation would be commenced in such jurisdiction and, accordingly, a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation.

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 in respect of 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. 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

Insolvency

The Issuer and the Parent Guarantor are 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 or the Parent Guarantor 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 govern such proceedings. 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 centre of main interests of such company is within Germany) or, vice versa, insolvency over the Issuer or the Parent Guarantor 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 interests as creditors as the insolvency laws of other jurisdictions, including, *inter alia*, in respect of priority of creditors' claims, the ability to obtain post-petition interest 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 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—such as the Issuer—becomes illiquid and/or over-indebted, the management of such company and, under certain circumstances, its shareholders are obliged to file for the opening of insolvency proceedings without undue delay, however, at the latest within three (3) weeks after the mandatory insolvency reason, *i.e.*, illiquidity and/or over-indebtedness, occurred. Non-compliance with these obligations exposes management to both severe damage claims as well as sanctions under criminal law. Once illiquidity or over-indebtedness occurred, any payments, including any payments under the Notes, may be voidable. In addition, imminent illiquidity (*drohende Zahlungsunfähigkeit*) is a valid insolvency reason under German law which exists if the company currently is able to service its payments obligations, but will presumably not be able to continue to do so at some point in time within a certain prognosis period. However, only the debtor, but not the creditors, is entitled (but not obliged) to file for the opening of insolvency proceedings if the debtor is likely to not be able to pay its debts as and when they fall due.

The insolvency proceedings are administered by the competent insolvency court which monitors the due performance of the proceedings. Upon receipt of the insolvency petition, the insolvency court may take preliminary measures (*vorläufige Maßnahmen*) to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). The insolvency court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings. In addition, the court will generally also appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*), unless the debtor has petitioned for debtor-in-possession status (*Eigenverwaltung*)—an insolvency process in which the debtor's management generally remains in charge of administering the debtor's business affairs under the supervision of a custodian (*Sachwalter*)—provided that no circumstances are known which lead to the expectation that debtor-in-possession status will place the creditors at a disadvantage. Depending on the size of the debtor's business operations, the insolvency court must or may appoint a preliminary creditors' committee (*vorläufiger Gläubigerausschuss*) to form a view on a petition for debtor-in-possession status, or on the profile of the (preliminary) insolvency administrator to be appointed or to suggest a particular individual to be appointed by the court. In case the members of the preliminary creditors' committee unanimously agree on an individual, such suggestion is binding on the court (unless the suggested individual is not eligible; *i.e.*, not competent and/or not impartial). To ensure that the preliminary creditors' committee reflects the interests of all creditor constituencies, it should and usually does comprise a representative of the secured creditors, one for the large creditors and one for the small creditors as well as one for the employees. The duties of the preliminary insolvency administrator are, in particular, to safeguard and to preserve the debtor's assets (which may include the continuation of the business carried out by the debtor), to verify the existence of an insolvency reason and to assess whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings. The court orders the opening (*Eröffnungsbeschluss*) of formal insolvency proceedings (*eröffnetes Insolvenzverfahren*) if certain requirements are met, in particular if there are sufficient assets (*Insolvenzmasse*) to cover at least the costs of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient, the insolvency court will only open formal insolvency proceedings if third parties (e.g., creditors) advance the costs themselves. In the absence of such advancement, the petition for the opening of insolvency proceedings will be dismissed for insufficiency of assets (*Abweisung mangels Masse*).

Upon the opening of formal insolvency proceedings, an insolvency administrator (usually, but not necessarily, the same person who acted as preliminary insolvency administrator) is appointed by the insolvency court unless a debtor-in-possession status (*Eigenverwaltung*) is ordered. In the absence of a debtor-in-possession status, the right to administer the debtor's business affairs and to dispose of the assets

of the debtor passes to the insolvency administrator with the insolvency creditors (*Insolvenzgläubiger*) only being entitled to 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 head count and amount of insolvency claims) has voted in favor of the proposed individual becoming the insolvency administrator and (ii) the proposed individual being eligible as officeholder, *i.e.*, sufficiently qualified, business- experienced and impartial. The insolvency administrator may raise new financial indebtedness and incur other liabilities to continue the debtor's business. These new liabilities incurred by the insolvency administrator qualify as preferential claims against the estate (*Masseverbindlichkeiten*) which are preferred to any insolvency claim of an unsecured creditor (with the residual claim of a secured insolvency creditor remaining after realization of the available collateral (if any) also being as unsecured insolvency claim).

From the perspective of the holders of the Notes, among others, some important consequences of such opening of formal insolvency proceedings against 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; and
- 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*).

Under German insolvency law, termination rights, automatic termination events or "escape clauses" entitling one party to terminate an agreement, or resulting in an automatic termination of an agreement, upon the opening of insolvency proceedings in respect of the other party, the filing for insolvency or the occurrence of reasons justifying the opening of insolvency proceedings (*insolvenzbezogene Kündigungsrechte oder Lösungsklauseln*) may be invalid if 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.

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.

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 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*".

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 Issuer, such Guarantor or any of their relevant subsidiaries and the consent of each class of creditors in accordance with specific majority rules and the approval of the insolvency court (while a group of dissenting creditors or the debtor can-under certain circumstances-be crammed down). If the debtor is a corporate entity, also the shares or, as the case may be, the membership rights in the debtor can be included in the insolvency plan, e.g., they can be transferred to third parties, including a transfer 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*). During this period, the creditors' rights to enforce security may—upon application of the filing debtor—be suspended. Under these circumstances, the insolvency court has to appoint a custodian (*Sachwalter*) to supervise the process. The debtor is entitled to suggest an individual to be appointed as custodian with such suggestion being binding on the insolvency court unless the suggested person is obviously not eligible to become a custodian (*i.e.*, is obviously not competent or impartial).

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 Collateral for or providing credit support for the benefit of the Notes could be subject to potential challenges (*i.e.*, clawback rights) by an insolvency administrator 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 or the Collateral and may participate in the insolvency proceedings as unsecured creditor only. If payments have already been made under the Notes or Collateral, any amounts received from a transaction that had been voided would have to be repaid to the insolvency estate (*Insolvenzmasse*). In this case, the holders of the Notes, as applicable, would only have a general unsecured claim under the Notes, 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 (i) during the last three months prior to the filing of the petition for the opening of insolvency proceedings, provided that the debtor was illiquid (*zahlungsunfähig*) at the time such act was taken and the creditor knew of such illiquidity (or of circumstances that clearly suggest that the debtor was illiquid) at such time, or (ii) after the filing of the petition for the opening of insolvency proceedings, if the creditor knew of the debtor's illiquidity or the filing of such petition (or of circumstances that compellingly suggest such illiquidity or filing);
- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction (*Befriedigung*) to which such creditor was not entitled, or which was granted or obtained in a form or at a time to which or at which such creditor was not entitled, if such act was taken (i) during the last month prior to the filing of the petition for the opening of insolvency proceedings or after such filing, (ii) during the second or third month prior to the filing of the petition and the debtor was illiquid at such time or (iii) such act was taken during the second or third month prior to the filing of the petition for the opening of insolvency proceedings and the creditor knew at the time such act was taken that such act was detrimental to the other insolvency creditors (or had knowledge of circumstances that compellingly suggest such detrimental effect);
- a legal transaction by the debtor that is directly detrimental to the insolvency creditors or by which the debtor loses a right or the ability to enforce a right or by which a proprietary claim against a debtor is obtained or becomes enforceable, if it was entered into (i) during the three months prior to the filing of the petition for the opening of insolvency proceedings and the debtor was illiquid at the time of such transaction and the counterparty to such transaction knew of the illiquidity at such time or (ii) after the filing of the petition for the opening of insolvency proceedings and the counterparty to such transaction knew either of the debtor's illiquidity or of such filing at the time of the transaction;
- any act by the debtor without (adequate) consideration (e.g., whereby a debtor grants security for a third-party debt, which might be regarded as having been granted gratuitously (*unentgeltlich*)), if it was effected in the four years prior to the filing of the petition for the opening of insolvency proceedings;
- any act performed by the debtor during the ten years prior to the filing of the petition for the opening of insolvency proceedings or at any time after the filing, if the debtor acted with the intention of prejudicing its insolvency creditors (*vorsätzliche Gläubigerbenachteiligung*) and the beneficiary of the act knew of such intention at the time of such act; 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 concluded between the debtor and an affiliated party that directly operates to the detriment of the creditors can be voided unless such contract was concluded earlier than two years prior to the filing of the petition for the opening of insolvency proceedings or the other party had no knowledge of the debtor's intention to disadvantage its creditors as of the time the contract was concluded; in relation to corporate entities, the term "affiliated party" includes, subject to certain limitations, members of the management or supervisory board, general partners and shareholders owning more than 25% of the debtor's share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor, and other persons who are spouses, relatives or members of the household of any of the foregoing persons;
- any act that provides security or satisfaction (*Befriedigung*) for a claim of a shareholder, for repayment of a shareholder loan or a similar claim if (i) in the case of the provision of security, the act took place during the last ten years prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition or (ii) in the case of satisfaction, the act took place during the last year prior to the filing of the petition for the opening of the insolvency proceedings or after the filing of such petition; or
- any act whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party if (i) the satisfaction was effected in the last year prior to the filing of a petition for the opening of insolvency proceedings or thereafter, and (ii) a shareholder of the debtor had granted security or was liable as a guarantor 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 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.

The German insolvency laws may be subject to further amendments in near future. On June 20, 2019, the Directive (EU) 2019/1023 of the European Parliament and of the Council of 20 June 2019 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 (Directive on restructuring and insolvency) (the "**Directive**") has been adopted. The Directive has been published on June 26, 2019 in the Official Journal of the European Union, from which date the member states will have approximately two years to implement the substantive parts of the Directive in their national legislation, although a one-year extension can be granted. The Directive aims to put in place key principles for all member states on effective preventive restructuring and second chance frameworks, and measures to make all types of insolvency procedures more efficient by reducing their length and associated costs and improving their quality. The key feature of the Directive is the introduction of a preventive restructuring framework. The Directive sets out minimum EU standards to be applied by the member states (i.e., minimum harmonization).

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.

Accessory Security Interests/Parallel Debt

Under German law, certain security interests such as pledges (*Pfandrechte*) are of strict accessory nature and are therefore dependent on the secured claims and require the security holder and the creditor of the secured claim to be identical. Such accessory security interests (*akzessorische Sicherungsrechte*) (i) will automatically lapse to the extent a secured claim is settled, discharged or novated, (ii) may not be assigned independently, but would automatically follow the claims they secure in case the relevant secured claim is assigned and (iii) may only be granted to the creditor of a claim to be secured by the accessory security interest.

The accessory security interests will also be granted to the Security Agent. The Security Agent is however not a creditor under the Notes. The holders on the other hand are creditors under the Notes. 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 Parent Guarantor under the Notes and the Guarantee (the "**Principal Obligations**"), and any payment in respect of the Principal Obligations will discharge the corresponding parallel debt and any payment in respect of the parallel debt will discharge the corresponding Principal Obligations. Although the Security Agent will have, pursuant to the parallel debt, a claim against the Issuer and the Parent Guarantor for the full principal amount of the Notes, the legal concept of creating parallel debt obligations has not yet been tested before a German court. Therefore, it cannot be ruled out that such concept will not be recognized by German courts or that it will eliminate or mitigate the risk of invalidity and unenforceability of pledges. Therefore, the ability of the Security Agent to enforce the collateral may be restricted.

Moreover, the Security Agent holds the pledges in trust. This means that in the case of an insolvency of the Security Agent, the insolvency administrator over the insolvency estate of the Security Agent may successfully claim that there is no separation right (*Aussonderungsrecht*) of the holders with respect to the secured claims. As a consequence, the secured claims (including the parallel debt) and the accessory security rights would remain with the (then insolvent) Security Agent.

LISTING AND GENERAL INFORMATION

Admission to Trading and Listing

Application will be made to the Authority for the listing of and permission to deal in the Notes on the Official List of the Exchange. There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained.

Neither the admission of the Notes to the Official List of the Exchange nor the approval of this Offering Memorandum pursuant to the listing requirements of the Authority shall constitute a warranty or representation by the Authority as to the competence of the service providers to, or any other party connected with, the Issuer, the adequacy and accuracy of information contained in this Offering Memorandum or the suitability of the Issuer for investment or for any other purpose.

The Notes are only intended to be offered in the primary market to, and held by, investors who are particularly knowledgeable in investment matters.

A copy of this Offering Memorandum will be available for inspection at the offices of the Issuer during normal business hours for a period of 14 days following the listing of the Notes on the Official List of the Exchange.

Clearing Information

The Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under Common Codes 211297310 and 211297336, respectively. The international securities identification number for the Notes sold pursuant to Regulation S is XS2112973107 and the international securities identification number for the Notes sold pursuant to Rule 144A is XS2112973362.

No Material Change

Except as disclosed in this Offering Memorandum, there has been no material adverse change in the financial or trading condition of the Issuer or any of the Parent Guarantor and no material change in the capitalization of the Issuer or the Parent Guarantor since December 31, 2018, the date of the Issuer's most recent audited consolidated financial statements.

General Information

The Paying Agent is Deutsche Bank AG, London Branch.

The Trustee is Deutsche Trustee Company Limited. The Trustee will be acting in its capacity as Trustee for the holders of the Notes only and will provide such services to the holders of the Notes as described in the Indenture.

Legal Information

The Issuer

Cheplapharm Arzneimittel GmbH is a company with limited liability (*Gesellschaft mit beschränkter Haftung*), incorporated under the laws of Germany on July 8, 1998 and has its corporate seat in Greifswald. Cheplapharm Arzneimittel GmbH has a share capital of EUR 25,000, comprised of 25,000 shares with a par value of EUR 1 each, each being fully paid up. Cheplapharm Arzneimittel GmbH's corporate seat and executive office is in Ziegelhof 24, 17489 Greifswald, Germany. Cheplapharm Arzneimittel GmbH is registered with the commercial register at the local court (*Amtsgericht*) of Stralsund under the registration number HRB 5896.

The Parent Guarantor

CheplaFinance 2 GmbH is a company with limited liability (*Gesellschaft mit beschränkter Haftung*), incorporated under the laws of Germany on July 25, 2019 and has its corporate seat in Greifswald. CheplaFinance 2 GmbH has a share capital of EUR 25,000, comprised of 25,000 shares with a par value of EUR 1 each, each being fully paid up. CheplaFinance 2 GmbH's corporate seat and executive office is in Ziegelhof 24, 17489 Greifswald, Germany. CheplaFinance 2 GmbH is registered with the commercial register at the local court (*Amtsgericht*) of Stralsund under the registration number HRB 21050.

Resolutions, Authorizations and Approvals by Virtue of which the Notes Have Been Issued

The Issuer has obtained all necessary consents, approvals and authorizations (if any) in connection with the issue of the Notes. The issue of the Notes was approved by resolutions of the shareholder of the Issuer passed on January 7, 2020.

Litigation

Neither the Issuer nor the Parent Guarantor is involved, or has been involved during the twelve months preceding the date of this Offering Memorandum, in any litigation, arbitration, governmental or administrative proceedings which would, individually or in the aggregate, have a material adverse effect on our results of operations, condition (financial or other) or general affairs and, so far as each is aware, having made all reasonable inquiries, there are no such litigation, arbitration or administrative proceedings pending or threatened.

Except as otherwise provided in this Offering Memorandum, we do not intend to provide post issue information regarding the Notes.

General

Subject to the below, the Issuer accepts responsibility for the information contained in this Offering Memorandum and, to the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case), the information contained in the Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Offering Memorandum includes particulars given in compliance with the Listing Rules of the Authority for the purpose of giving information with regard to the Notes and comprises this Offering Memorandum.

The Listing Agent is acting for the Issuer and for no one else in connection with the issue and listing of the Notes and will not be responsible to anyone other than the Issuer. The Listing Agent has not separately verified the information contained in this Offering Memorandum, accordingly the Listing Agent does not make any representation or recommendation and does not give any warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained herein or in any further information, notice or other document which may at any time be supplied in connection with the Notes or their distribution and the Listing Agent accepts no responsibility or liability therefor. The Listing Agent neither undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Offering Memorandum nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Listing Agent.

Post-Issue Reporting

Except as otherwise provided in this Offering Memorandum or as required by applicable law or regulation, we do not intend to provide post issue information regarding the Notes. The organizational documents of the Issuer, along with the Indenture relating to the Notes and the most recent consolidated financial statements published by us may be inspected and obtained at the office of the Paying Agent during normal business hours for a period of 14 days following grant of listing of the Notes. Copies of such documents will also be available from the Issuer upon request on and after the grant of listing of the Notes.

Index to Consolidated Financial Statements

CHEPLAPHARM Arzneimittel GmbH, Greifswald/Germany

Condensed Consolidated Balance Sheet

as at 30 September 2019

Liabilities	30.09.2019	31.12.2018
	kEUR	kEUR
Equity		
Share capital	25	25
Net Profit brought forward	105,384	95,537
Other comprehensive income	0	467
Consolidated net profit	19,894	9,847
Total equity	**125,303**	**105,876**
Non-current liabilities		
Other financial debts	1,097,395	818,835
Loans granted by affiliated companies	30,129	32,129
Deferred tax liabilities	37,144	33,848
Other financial liabilities	19,539	5,654
Total non-current liabilities	**1,184,207**	**890,466**
Current liabilities		
Other financial debts	3,725	7,562
Trade payables	41,987	44,763
Contractual liabilities	0	204
Liabilities to affiliated companies	0	1
Income tax liabilities	16,589	8,379
Other liabilities		
Non-financial liabilities	1,073	2,437
Financial liabilities	7,243	19,094
Total current liabilities	**70,617**	**82,440**
Total equity and liabilities	**1,380,127**	**1,078,782**

CHEPLAPHARM Arzneimittel GmbH, Greifswald/Germany

Condensed Consolidated Balance Sheet

as at 30 September 2019

Assets	30.09.2019	31.12.2018
	kEUR	kEUR
Non-current assets		
Intangible assets	1,115,343	779,703
Property, plant and equipment	12,908	9,963
Other financial assets	6	6
Deferred tax assets	0	336
Derivatives	29	40
Total non-current assets	**1,128,286**	**790,048**
Current assets		
Inventories	98,612	79,241
Trade receivables	119,384	113,950
Receivables from affiliated companies	2,547	0
Income tax assets	0	32
Other current assets		
Non-financial assets	5,290	3,825
Financial assets	386	1,282
Securities	4,460	4,041
Bank balances and cash assets	21,162	86,363
Total current assets	**251,841**	**288,734**
Total assets	**1,380,127**	**1,078,782**

CHEPLAPHARM Arzneimittel GmbH, Greifswald/Germany

Condensed Consolidated Income Statement

for the Period from 1 January to 30 September 2019

	Selected Notes	1.1.-30.9 2019	1.1.-30.9.2018
		kEUR	kEUR
Revenue	6.1	348,943	203,027
Change in inventories		23,588	117
Other operating income	6.2	2,544	4,478
Cost of materials	6.3	128,393	56,952
Personnel expenses	6.4	14,600	11,005
Amortization, depreciation and impairments	6.5	109,159	79,947
Other operating expenses	6.6	44,060	31,050
Results of operating activities		**78,863**	**28,668**
Net income/(loss) from investments	6.7	556	−1,206
Interest income		15,891	19
Interest expenses		57,345	49,549
Net finance cost	6.8	**−40,898**	**−50,736**
Earnings/(loss) before income tax		**37,965**	**−22,068**
Income tax/(benefit)	6.9	18,071	−3,156
Earnings/(loss) after income taxes		**19,894**	**−18,912**

CHEPLAPHARM Arzneimittel GmbH, Greifswald/Germany

Condensed Consolidated Statement of Comprehensive Income

for the Period from 1 January to 30 September 2019

	1.1.-30.9 2019	1.1.-30.9.2018
	kEUR	kEUR
Earnings/(loss) after income tax (= consolidated net profit/(loss))	19,894	−18,912
Items that may be reclassified to the income statement under certain conditions in the future:		
Translation differences	39	45
Other comprehensive income	**39**	**45**
Total of net profit for the period and other comprehensive income (= total comprehensive income)	**19,933**	**−18,867**

CHEPLAPHARM Arzneimittel GmbH, Greifswald/Germany

Condensed Consolidated Statement of Cash Flows

for the Period from 1 January 2019 to 30 September 2019

Cash flow statement	1.1.-30.9 2019	1.1.-30.9.2018
	kEUR	kEUR
Consolidated net profit/(loss) for the period	19,894	−18,912
Amortization, depreciation and impairments / write-ups of intangible assets and property, plant and equipment	109,159	79,970
Other non-cash expenses/income	−810	2
Increase in inventories	−21,234	−25,657
Increase in trade receivables	−13,690	−15,324
Increase (−)/decrease in other assets	−2,758	2,087
Increase in trade payables	−2,869	9,911
Increase/decrease (−) in other liabilities	−475	−4,732
Gain on (−) / loss from disposal of intangible assets and property, plant and equipment	31	−4,069
Finance cost and income recognized through profit or loss	41,453	49,530
Net income (−) / loss from investments	−556	1,206
Income tax expense/ benefit (−)	18,071	−3,156
Income tax paid	−6,198	−3,156
Cash flow from operating activities	**140,019**	**67,699**
Proceeds from disposals of intangible assets	0	4,069
Proceeds from disposals of financial assets	360	0
Acquisition of intangible assets	−449,482	−493,070
Acquisition of property, plant and equipment	−4,115	−3,200
Acquisition of securities	0	−1,890
Interest received	85	19
Dividends received	137	110
Cash flow from investing activities	**−453,015**	**−493,962**
Cash payments for repayment of loans raised from related parties	−6,477	−4,477
Cash proceeds from financial debts raised	295,536	1,251,919
Cash payments from repayment of financial debts	−8,792	−784,841
Interest paid	−31,017	−46,125
Cash flow from financing activities	**249,250**	**416,476**
Net change in cash funds	**−63,746**	**−9,787**
Cash funds at the beginning of the period	84,908	40,491
Exchange-rate-related changes in cash funds	0	29
Cash funds at the end of the period	**21,162**	**30,734**

CHEPLAPHARM Arzneimittel GmbH, Greifswald/Germany

Condensed Consolidated Statement of Changes in Equity

as at 30 September 2019

All figures in kEUR	Share Capital	Net profit/loss brought forward	Consolidated net profit or loss	Other comprehensive Income	Equity
Balance as at 31. December 2017	**25**	**68,562**	**27,160**	**315**	**96,062**
Initial application of IFRS 9		−185			−185
Balance as at 1. January 2018	**25**	**68,377**	**27,160**	**315**	**95,877**
Reclassified		27,160	−27,160		0
Consolidated net loss for the period			−18,912		−18,912
Translation difference				45	45
Other comprehensive income					**45**
Total comprehensive income					**−18,867**
Balance as at 30. September 2018	**25**	**95,537**	**−18,912**	**360**	**77,010**
Balance as at 1. January 2019	**25**	**95,537**	**9,847**	**467**	**105,876**
Reclassified		9,847	−9,847		0
Consolidated net profit for the period			19,894		19,894
Translation difference				39	39
Other comprehensive income					**39**
Total comprehensive income					**19,933**
Disposal through deconsolidation				−506	−506
Balance as at 30. September 2019	**25**	**105,384**	**19,894**	**0**	**125,303**

CHEPLAPHARM Arzneimittel GmbH, Greifswald

Selected Notes to the Condensed Consolidated Financial Statements

as of and for the period ended 30 September 2019

1. General information

CHEPLAPHARM Arzneimittel GmbH, headquartered in Greifswald, Ziegelhof 24, is the parent company of the CHEPLAPHARM Group and a limited liability company under German law. The company is registered in the Commercial Register of the Local Court of Stralsund under the number B 5896.

CHEPLAPHARM Arzneimittel GmbH (hereinafter also referred to as CHEPLAPHARM, CHEPLAPHARM Group or Group) was founded in Freiburg in 1998 and relocated its headquarters to Mesekenhagen in 2003. CHEPLAPHARM's management as well as its headquarters have been in the Hanseatic city of Greifswald since October 2018.

The CHEPLAPHARM Group's business operations mainly consist of the worldwide distribution of "Specialty Pharma", which includes branded pharmaceuticals, nutritional supplements, medical devices and cosmetics. The range comprises primarily prescription medicines for cardiology, emergency medicine, haematology, addiction medicine and urology as well as over-the-counter medicines, care and medical devices.

The interim condensed consolidated financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. These interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Cheplapharm Arzneimittel GmbH's annual Consolidated financial statements as of 31 December 2018.

In the condensed consolidated interim financial statements as at 30 September 2019, the accounting and valuation principles and the consolidation principles applied in the consolidated financial statements as at 31 December 2018, continued unchanged except for the revised or new standards and interpretations described below that are relevant for the consolidated financial statements of CHEPLAPHARM, which were to be applied in the EU from 1 January 2019.

Regulation	Title	Published in	Application obligation as of
IFRS 16	Leases	Jan 16	01.01.2019
IFRIC 23	Uncertainty regarding income tax treatment	Jun 17	01.01.2019
Changes to IAS 28	Long-term investments in associates and joint ventures	Oct 17	01.01.2019
Amendments to IFRS 9 .	Early repayment arrangements with negative compensation	Oct 17	01.01.2019
Amendment to IAS 19 . .	Plan changes, cuts, settlements	Feb 18	01.01.2019
Improvements to IFRS 2015-2017	Collective standard: Amendments to IFRS 3; IFRS11; IAS 12; IAS 23	Dec 17	01.01.2019

The application of the pronouncements presented in the table above has the following effects on the presentation of the net assets, financial position and results of operations in the consolidated financial statements of CHEPLAPHARM.

IFRS 16—Leases

IFRS 16 was published in January 2016 and replaces IAS 17 Leases and all interpretations relating to lease accounting. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosure of leases and requires lessees to recognize all leases on a single model similar to the accounting for finance leases under IAS 17. The new standard contains two exceptions to the recognition obligation for lessees: leases for low-value assets and short-term leases with a maximum term of twelve months.

At the beginning of the lease, the lessee recognizes a liability to pay lease payments (lease liability) and an asset for the granted right to use the leased asset during the term of the lease (right of use of the leased

1. General information (Continued)

asset). Lessees must separately recognize the interest expense for the lease liability and the depreciation expense for the right of use of the leased asset. In addition, lessees are required to revalue the lease liability when certain events occur (for example, a change in the lease term or a change in future lease payments due to a change in the index or interest rate used to determine the lease payments). The amount of the revaluation of the lease liability will generally be recognized by lessees as an adjustment to the right of use of the leased asset.

For lessors, IFRS 16 will essentially result in no changes compared with the currently valid IAS 17. They will continue to classify all leases according to the classification principles of IAS 17 and distinguish between two types of leases: operating leases and finance leases.

CHEPLAPHARM applies the standard as of 1 January 2019 using the modified retrospective approach. Accordingly, the comparative information for the financial year 2018 has not been restated. The previous assessment of the existence of a lease in accordance with IAS 17 and IFRIC 4 was retained for existing contracts as at 1 January 2019. CHEPLAPHARM has made use of the optional exemptions to not apply recognition rules to short-term leases and low-value lease contracts as part of the initial application.

The Group is exclusively a lessee. The significant leases in accordance with IFRS 16, which were not already treated as finance leases until 31 December 2018, relate to company cars and an office container.

The following table shows the reconciliation of liabilities from leasing as at 1 January 2019:

	kEUR
Minimum lease payments under operating leases as at 31 December 2018	962
Application of exemption for short-term leases	−685
Effect of discounting with the incremental borrowing rate on 1 January 2019	−15
Liabilities from leasing as at 1 January 2019	262

As at 1 January 2019, liabilities from leasing in the amount of € 262K and rights to property, plant and equipment in the same amount were recognized. An adjustment effect in equity did not arise.

The weighted average incremental borrowing rate for the lease liabilities recognized as at 1 January 2019 was 5.0% p.a.

The application of the other new or revised IFRS standards and interpretations had no significant impact on the presentation of the net assets, financial position and income statement in the consolidated financial statements of CHEPLAPHARM. However, they will partly lead to additional information.

Other than the matters described above, the accounting and valuation methods are applied consistently to all financial years presented in the financial statements. Expenses and income that usually accrue at the end of a financial year have been periodized for interim reporting purposes.

The carrying amounts of the financial instruments reported in the consolidated balance sheet correspond to their fair values. The securities as well as non-current and current receivables and liabilities from derivative financial instruments are valued at fair value.

The derivative financial instruments are exclusively interest-rate-related transactions and OTC products, i.e. non-exchange-traded products. The derivative financial instruments are valued at their market values determined by banks. These are values based on internal risk models, which are determined using recognized mathematical methods. The carrying amounts of derivatives correspond to the market values.

As at 31 December 2018 and as at 30 September 2019, the fair values of the derivatives are derived from observable market data and are therefore attributable to hierarchy level 2. The securities are valued at the stock exchange price and are therefore attributable to hierarchy level 1.

1. General information (Continued)

All other financial assets are held by CHEPLAPHARM to collect the contractual cash flows, which are solely repayments and interest payments on the outstanding nominal capital. As a result, these financial assets are measured at amortized cost in accordance with IFRS 9.

Compared to the consolidated financial statements as at 31 December 2018, no changes were made to the consolidated interim financial statements.

Income tax expense was calculated on the basis of the results of the companies included and the current tax rate as the best estimate. Deferred taxes on temporary differences and loss carry forwards were valued at the applicable deferred tax rates.

The interim consolidated financial statements were neither audited in accordance with section 317 HGB nor subjected to a review.

2. Scope of consolidation

In addition to CHEPLAPHARM Arzneimittel GmbH as parent company, the consolidated interim financial statements include all major domestic and foreign affiliated companies.

The scope of consolidation has changed since 31 December 2018 as follows:

As a result of the demerger and acquisition agreement of 25.07.2019, the shares in Walter Ritter GmbH & Co. KG, Hamburg, were transferred to Braun Beteiligungs GmbH, Greifswald, the shareholder of CHEPLAPHARM Arzneimittel GmbH (related party), without any consideration. As a result, the companies Walter Ritter GmbH & Co. KG, Hamburg, W. R. Pharmaceuticals Vertriebs-GmbH, Hamburg, Sanavita Pharmaceuticals GmbH, Hamburg, and RubiePharm Arzneimittel GmbH, Steinau an der Straβe, were deconsolidated as of 25 July 2019.

Glenwood LLC, Englewood, New Jersey, USA, was liquidated in September 2019 and deconsolidated accordingly.

As of 30 September 2019, the scope of consolidation includes, in addition to CHEPLAPHARM as parent company, the subsidiaries Cheplapharm France SAS, Levallois Perret, France, und Glenwood Verwaltung II UG, Mesekenhagen.

3. Significant events and transactions

The first three quarters of 2019 were characterized by the further acquisitions of product licenses and trademarks. In January 2019, approvals were acquired for the products Dormicum (EUR 23,5 mio.) and Lexotan (EUR 200,0 mio.). In September 2019, the transfer of approvals for the product Losec (EUR 221,7 mio.) followed. The acquisition of these intangible assets resulted in an increase of Drug licences and Trademarks by EUR 445,2 million as well as an increase of the respective Other financial debts.

Glenwood LLC's business operations were discontinued in September 2019. The group recognized a loss of EUR 2,1 mio. from discontinuing the business.

The investments were financed through a new Term Loan B, which replaced the existing Term Loan B. The new Term Loan B has improved terms compared to the previous one and an additional EUR 150 million was raised.

Due to the investments in intangibles, there was a significant increase in revenues and cost of materials compared to the comparative period of the prior year. In addition, there was an increase in depreciation and amortization.

The Result of Operations increased by EUR 50,2 million compared to the comparative period of the prior year.

3. Significant events and transactions (Continued)

As a result of the acquisitions of further intangible assets, there is an associated increase in financial liabilities and accordingly of interest expenses as well.

Interest income is impacted by a gain (EUR 15,8 mio.) from the revaluation of financial liabilities. The revaluation is associated to a change of the effective interest rate of the Term Loan B, which resulted in a decrease of this liability (note: the changes to the Term Loan B were not deemed a substantive modification in accordance with IFRS.).

In the nine month period ended September 30, 2019, the Company reported an income tax expense of EUR 18,1 million, which mainly resulted from current income tax. In the comparative period of the prior year the company reported an income tax benefit of EUR 3,2 million.

4. Significant transactions with related parties

Related persons are the managing directors, their family members as well as the shareholder Braun Beteiligungs GmbH and its shareholders.

Regarding the transfer of shares in Walter Ritter GmbH & Co. KG and its subsidiaries, see the section "Scope of consolidation".

As at the reporting date, in addition to outstanding receivables from and payable to affiliated persons, at the prevailing market interest rates, there are no other significant transactions with related persons.

5. Seasonality

The business of CHEPLAPHARM is not subject to any significant seasonal influences.

6. Selected Notes to the Condensed Consolidated Income Statement

6.1 Revenue

	1.1.-30.09 2019	1.1.-30.09.2018
	kEUR	kEUR
Revenue non-EU country	168,113	112,852
Revenue EU	169,816	80,135
Revenue Germany	24,240	15,649
Other revenue	73	17
Sales deductions	−13,299	−5,626
	348,943	**203,027**

6.2 Other Operating Income

The other operating income includes the following positions:

	1.1.-30.09.2019	1.1.-30.09.2018
	kEUR	kEUR
Gain on disposal of intangible assets	0	4,069
Exchange gains	1,675	0
Insurance damages	259	56
Income from derecognized liabilities	1	47
Recharges	0	46
Income of prior periods	39	0
Sundry	570	260
	2,544	**4,478**

6. Selected Notes to the Condensed Consolidated Income Statement (Continued)

6.3 Cost of Materials

Cost of materials consists of the following items:

	1.1.-30.09.2019	1.1.-30.09.2018
	kEUR	kEUR
Procurement of goods and contract manufacturing	127,068	56,104
Services provided by third parties	1,288	693
Other	37	155
	128,393	**56,952**

6.4 Staff Costs

Staff costs are classified as follows:

	1.1.-30.09.2019	1.1.-30.09.2018
	kEUR	kEUR
Wages and salaries	12,026	8,929
Social security costs	2,146	1,629
Other staff costs	428	447
	14,600	**11,005**

6.5 Amortization, Depreciation and Impairments

Amortization, depreciation and impairments consists of the following items:

	1.1.-30.09.2019	1.1.-30.09.2018
	kEUR	kEUR
Amortization and impairments of intangible assets	108,320	79,204
Depreciation of property, plant and equipment	839	743
	109,159	**79,947**

6.6 Other Operating Expenses

Other operating expenses relate to the following items:

	1.1.-30.09.2019	1.1.-30.09.2018
	kEUR	kEUR
Distribution and delivery costs	25,159	15,479
Cost of drug safety, licenses, and quality assurance	6,240	4,011
Net exchange gain	0	1,559
Sundry	12,661	10,001
	44,060	**31,050**

6.7 Net Income from Investments

The net income from securities disclosed in the reporting period relates to write-ups of securities, whereas in the prior period the item is mainly associated to impairment losses.

6. Selected Notes to the Condensed Consolidated Income Statement (Continued)

6.8 Net Interest Expense

Net interest expense consists of the following items:

	1.1.-30.09.2019	1.1.-30.09.2018
	kEUR	kEUR
Interest income	**15,891**	**19**
Interest expenses		
Interest paid on bank loans	39,235	45,378
Interest paid on loans granted by related parties	662	747
Loss on derivative financial instruments	16,636	3,424
Tax interest	812	0
	57,345	**49,549**
	−41,454	**−49,530**

With regard to the fluctuations of interest income we refer to our comments in section 3 "Significant events and transactions"

6.9 Income Taxes

Income taxes consist of the following items:

	1.1.-30.09.2019	1.1.-30.09.2018
	kEUR	kEUR
Municipal trade tax current year	5,925	194
Corporate income tax current year	4,764	1,015
Deferred taxes	3,460	−4,723
Foreign income tax	16	558
Corporate income tax prior years	3,906	−245
Municipal trade tax prior years	0	45
	18,071	**−3,156**

7. Significant events after 30 September 2019

We have acquired the rights for the products Anandron, Suprefact, Kryptocur and Ditropan in the fourth quarter of 2019. The acquisition cost for these products amounts to EUR 66,5 million. Furthermore, we have also acquired the rights for the products Seroquel (USD 213 million) and for further products of a product portfolio (EUR 102 million) after September 30, 2019.

Greifswald, 20. December 2019

CHEPLAPHARM Arzneimittel GmbH

Sebastian Braun Bianca Juha Edeltraud Lafer Jens Rothstein

CHEPLAPHARM Arzneimittel GmbH, Greifswald/Germany

Consolidated Balance Sheet under IFRS

as at 31 December 2018

Assets	Note	31 Dec. 2018	31 Dec. 2017
		kEUR	kEUR
Non-current assets			
Intangible assets	**16**	779,703	384,120
Property, plant and equipment	**17**	9,963	4,345
Other financial assets	**18**	6	4,208
Deferred tax assets	**15**	336	0
Derivatives	**21**	40	68
Total non-current assets		**790,048**	**392,741**
Current assets			
Inventories	**22**	79,241	37,141
Trade receivables	**23**	113,950	52,339
Income tax assets	**24**	32	256
Other current assets			
Non-financial assets	**25**	3,825	3,983
Financial assets	**25**	1,282	2,316
Securities	**26**	4,041	4,574
Bank balances and cash-in-hand	**27**	86,363	42,504
Total current assets		**288,734**	**143,113**
Total assets		**1,078,782**	**535,854**

CHEPLAPHARM Arzneimittel GmbH, Greifswald/Germany

Consolidated Balance Sheet under IFRS

as at 31 December 2018

Equity and liabilities	Note	31 Dec. 2018	31 Dec. 2017
		kEUR	kEUR
Equity			
Share capital	**28**	25	25
Net profit brought forward	**29**	95,537	68,562
Other comprehensive income	**30**	467	315
Consolidated net profit		9,847	27,160
Total equity		**105,876**	**96,062**
Non-current liabilities			
Loans granted by related parties	**31**	0	36,607
Mezzanine loan notes	**32**	0	63,426
Other financial debts	**33**	818,835	183,192
Loans granted by affiliated companies	**34**	32,129	0
Deferred tax liabilities	**35**	33,848	32,952
Other financial liabilities	**36**	5,654	290
Total non-current liabilities		**890,466**	**316,467**
Current liabilities			
Other financial debts	**33**	7,562	98,324
Trade payables	**37**	44,763	14,364
Contractual liabilities	**38**	204	0
Liabilities to affiliated companies	**39**	1	752
Income tax liabilities	**40**	8,379	5,729
Other liabilities			
Non-financial liabilities	**41**	2,437	3,630
Financial liabilities	**41**	19,094	526
Total current liabilities		**82,440**	**123,325**
Total equity and liabilities		**1,078,782**	**535,854**

CHEPLAPHARM Arzneimittel GmbH, Greifswald/Germany

Consolidated Income Statement under IFRS

for the Period from 1 January to 31 December 2018

	Note	2018	2017
		kEUR	kEUR
Revenue	**7**	314,710	236,843
Change in inventories		3,896	10,831
Other operating income	**8**	15,879	884
Cost of materials	**9**	95,610	75,631
Personnel expenses	**10**	15,652	10,542
Amortization, depreciation and impairments	**11**	103,738	76,459
Other operating expenses	**12**	39,364	29,519
Results of operating activities		**80,121**	**56,407**
Net income from investments	**13**	3,397	1,584
Interest income	**14**	31	46
Interest expenses	**14**	−67,205	−17,732
Net finance cost		**−63,777**	**−16,102**
Earnings before income taxes		**16,344**	**40,305**
Taxes on income	**15**	6,497	13,145
Earnings after income taxes		**9,847**	**27,160**

CHEPLAPHARM Arzneimittel GmbH, Greifswald/Germany

Consolidated Statement of Comprehensive Income under IFRS

for the Period from 1 January to 31 December 2018

	2018	2017
	kEUR	kEUR
Earnings after income taxes (= consolidated net profit)	9,847	27,160
Items that may be reclassified to statement of profit and loss:		
Translation differences	152	−418
Other comprehensive income	**152**	**−418**
Total of net profit for the period and other comprehensive income (= total comprehensive income)	**9,999**	**26,742**

CHEPLAPHARM Arzneimittel GmbH, Greifswald/Germany

Consolidated Statement of Cash Flows under IFRS

for the Period from 1 January to 31 December 2018

		Note	2018	2017
			kEUR	kEUR
Operating activities				
	Consolidated net profit for the year		9,847	27,160
+/−	Amortization and depreciation of intangible assets and property, plant and equipment		103,738	76,459
+/−	Other non-cash expenses/income		8	1,039
−/+	Increase/decrease in inventories		−42,100	−16,096
−/+	Increase/decrease in trade receivables		−61,878	−18,647
−/+	Increase/decrease in other assets		1,221	−4,371
+/−	Increase/decrease in trade payables		29,649	922
+/−	Increase/decrease in other liabilities		5,443	2,181
−/+	Gain on / loss from disposal of intangible assets and property, plant and equipment		−14,552	−300
+/−	Finance cost and income recognized through profit or loss	**14**	67,174	17,686
−	Net Income from investments	**13**	−3,397	−1,584
+/−	Income tax expense/income	**15**	6,497	13,145
−/+	Income tax paid		−2,982	−215
			98,668	**97,379**
Investing activities				
+	Proceeds from disposals of intangible assets		21,152	300
−	Acquisition of intangible assets	**16**	−489,767	−128,104
−	Acquisition of property, plant and equipment	**17**	−6,471	−724
+	Proceeds from disposals of financial assets		9,908	0
−	Acquisition of financial assets		0	−4,208
−	Cash payments from acquisitions less acquired funds		0	−2,252
−	Acquisition of securities		−1,896	−1,764
+	Interest received		31	46
+	Proceeds from disposals of Securities and Dividends received		119	1,611
Cash flows from investing activities			**−466,924**	**−135,095**

CHEPLAPHARM Arzneimittel GmbH, Greifswald/Germany

Consolidated Statement of Cash Flows under IFRS

for the Period from 1 January to 31 December 2018

	Note	2018	2017
		kEUR	kEUR
Financing activities			
− Cash payments for repayment of loans raised from related parties		−4,478	0
+ Cash proceeds from financial debts raised	**47**	1,260,740	178,842
− Cash payments from repayment of financial debts	**47**	−785,344	−115,138
− Interest paid		−58,275	−17,572
Cash flows from financing activities		**412,643**	**46,132**
Net increase in cash funds		**44,387**	**8,416**
Cash funds at the beginning of the period		40,491	32,131
Exchange-rate-related changes in cash funds		30	−56
Cash funds at the end of the period		**84,908**	**40,491**
Components of Cash Funds			
Cash at bank and cash-in-hand	**27**	86,363	42,504
Bank overdraft within the scope of short-term management of financial investments	**33**	−1,455	−2,013
		84,908	40,491

CHEPLAPHARM Arzneimittel GmbH, Greifswald/Germany

Consolidated Statement of Changes in Equity under IFRS

as at 31 December 2018

All figures in kEUR	Share capital	Net profit/loss brought forward	Consolidated net profit/loss	Other comprehensive Income	Equity
Balance as at 1 Jan. 2017	**25**	**50,865**	**17,697**	**733**	**69,320**
Reclassified		17,697	−17,697		0
Consolidated net profit for the year			27,160		27,160
Translation difference				−418	−418
Other comprehensive income					**−418**
Total comprehensive income					**26,742**
Balance as at 31 Dec. 2017	**25**	**68,562**	**27,160**	**315**	**96,062**
Initial application IFRS 9		−185			−185
Balance as at 1 Jan. 2018	**25**	**68,377**	**27,160**	**315**	**95,877**
Reclassified		27,160	−27,160		0
Consolidated net profit for the year			9,847		9,847
Translation difference				152	152
Other comprehensive income					**152**
Total comprehensive income					**9,999**
Balance as at 31 Dec. 2018	**25**	**95,537**	**9,847**	**467**	**105,876**
Note	**28**	**29**		**30**	

CHEPLAPHARM Arzneimittel GmbH, Greifswald/Germany

Notes to the Consolidated Financial Statements

for the Financial Year 2018

1. General Notes

CHEPLAPHARM Arzneimittel GmbH with registered office in Greifswald, Ziegelhof 24, Germany, is the parent company of CHEPLAPHARM Group and a limited liability company under German law. The Company has been entered with the number B 5896 in the Commercial Register of the Stralsund/Germany local court.

CHEPLAPHARM Arzneimittel GmbH was established in Freiburg/Germany in 1998 and relocated its registered office to Mesekenhagen/Germany in 2003. The affairs of CHEPLAPHARM have been conducted, and the Company has had its registered office, in the German Hanseatic town of Greifswald since October 2018.

The consolidated financial statements of CHEPLAPHARM Arzneimittel GmbH, Greifswald/ Germany, (hereafter referred to as "CHEPLAPHARM", "CHEPLAPHARM Group", or "Group") are prepared for the financial year from 1 January to 31 December 2018 and, besides the notes to the consolidated financial statements, include the consolidated balance sheet as at 31 December 2018 as well as the consolidated statement of profit and loss, the statement of comprehensive income, the consolidated statement of cash flows, and the consolidated statement of changes in equity for the respective period from 1 January to 31 December 2018.

The consolidated financial statements for the year ended 31 December 2018 are voluntarily prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), taking into account the Interpretations of the International Financial Reporting Interpretations Committee (IFRS IC), as adopted by the European Union (EU), and the additional requirements under Section 315e (1) German Commercial Code (HGB)[(1)].

The business activities of CHEPLAPHARM Group mainly consist in worldwide distribution of "specialty pharmaceuticals", i.e. branded pharmaceuticals, food supplements, medical products and cosmetics. The range of products offered covers prescription drugs for cardiology, emergency medicine, hematology, addiction medicine, and urology, as well as medicines, care, and medical products freely available at pharmacies.

The business strategy of CHEPLAPHARM Group is based on the acquisition of branded pharmaceuticals and medical products from German and international pharmaceutical companies.

Furthermore, the Group was represented through own staff at the following sites as at 31 December 2018:

- Riems/Germany
- Mesekenhagen/Germany
- Hamburg/Germany
- Steinau an der Straβe/Germany
- Levallois-Perret/France
- Englewood, New Jersey/U.S.

The shareholder of CHEPLAPHARM Arzneimittel GmbH is Braun Beteiligungs GmbH, Greifswald/ Germany, entered with the number B 8162 in the Commercial Register of the Stralsund/Germany local court.

Braun Beteiligungs GmbH, Greifswald/Germany, and CHEPLAPHARM Arzneimittel GmbH, Greifswald/Germany, prepare the consolidated financial statements for the biggest and smallest group of consolidated entities, respectively.

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(1) With the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) being referred to as IFRS and the Interpretations of the Standards Interpretation Committee (SIC) and the Interpretations of the International Financial Reporting Interpretation Committee (IFRS IC) as IFRIC.

1. General Notes (Continued)

The financial year of CHEPLAPHARM and its subsidiaries is the calendar year. The consolidated financial statements have been prepared in euro. Unless otherwise stated, all amounts are stated in thousands of euros (kEUR). For computational reasons, rounding differences to the exact mathematical values may rise in tables and notes.

The balance sheet has been classified according to maturity; assets and liabilities are classified by non-current—for maturities of more than one year—and current. The nature of expense format has been applied to the statement of profit and loss.

The consolidated financial statements of CHEPLAPHARM were approved by the managing directors for disclosure purposes on 4. December 2019.

2. Policies and Methods

All IFRSs issued by the IASB and valid at the time the consolidated financial statements on hand were prepared and applied by CHEPLAPHARM were adopted by the European Commission for application in the EU. The consolidated financial statements prepared by CHEPLAPHARM thus comply with the IFRS, as adopted by the EU.

The accounting and valuation methods which we applied are generally consistent with those applied in the prior year, with the following exceptions:

In the reporting year, CHEPLAPHARM applied the new and revised IFRSs and Interpretations listed below. The application of these Standards and Interpretations did not have any major impact on the Group's assets, liabilities, financial position, and financial performance. However, they partly led to additional disclosures.

The detailed presentation is restricted to those Standards and Interpretations which are on principle applicable at the level of CHEPLAPHARM:

IFRS 9—Financial Instruments

In July 2014, the IASB published the final version of IFRS 9 Financial Instruments, which supersedes IAS 39 Financial Instruments: Recognition and Measurement and all earlier versions of IFRS 9. IFRS 9 combines the three project phases for the accounting for financial instruments "classification and measurement", "impairment", and "hedge accounting". IFRS 9 contains revised guidelines on classification and measurement of financial instruments, including a new model of expected credit losses for computing the impairment of financial assets, as well as the new general hedge accounting requirements. It also supersedes the guidelines concerning recognition and derecognition of financial instruments under IAS 39.

IFRS 9 is applicable for financial years beginning on or after 1 January 2018. With the exception of hedge accounting, this Standard is retroactively applicable, but comparative information is not required to be adjusted. The requirements on hedge accounting are generally prospectively applicable with few exceptions.

The Group adopted this new Standard as of 1 January 2018. The prior year figures are not adjusted in accordance with the transitional regulations under IFRS 9. The effect of initial application of IFRS 9 as of 1 January 2018 has been recognized in equity without profit or loss impact.

The effects of initial application of IFRS 9 are stated below:

(a) Classification and Measurement

IFRS 9 includes three important classification categories for financial assets: "measured at amortized cost (AC)", "measured at fair value through profit or loss (FVTPL)", as well as "measured at fair value

2. Policies and Methods (Continued)

through other comprehensive income (FVOCI)". The Standard eliminates the categories of IAS 39: "loans and receivables (LaR)", "held to maturity (HtM)", as well as "financial assets held for trading (FAHfT)".

The initial application of IFRS 9 had the following effects on the classification of financial assets and financial liabilities:

		IAS 39 as of 31 Dec. 2017				IFRS 9 as of 1 Jan. 2018			Fair Value 31 Dec. 2017/ 1 Jan. 2018
Figures in kEUR	**Carrying amount 31 Dec. 2017**	**Measurement category**	**Amortized cost**	**Fair value through P&L**	**Fair value not made through P&L**	**Measurement category**	**Amortized cost**	**Fair value through P&L**	
Financial assets									
Sundry financial assets									
Investments	4,208	**AfS**	4,208	0	0	**FVTPL**	0	4,208	4,208
Trade receivables	52,339	**LaR**	52,339	0	0	**AC**	52,339	0	52,339
Other financial assets									
Derivative financial instruments	68	**FAHfT**	0	68	0	**FVTPL**	0	68	68
Other	2,720	**LaR**	2,720	0	0	**AC**	2,720	0	2,720
Securities	4,574	**AfS**	0	0	4,574	**FVTPL**	0	4,574	4,574
Cash at bank and cash-in-hand	42,504	**LaR**	42,504	0	0	**AC**	42,504	0	42,504
Total financial assets	**106,413**		**101,771**	**68**	**4,574**		**97,563**	**8,850**	**106,413**
Financial liabilities									
Loans granted by related parties	36,607	**FLaC**	36,607	0	0	**AC**	36,607	0	36,607
Mezzanine capital	63,426	**FLaC**	63,426	0	0	**AC**	63,426	0	63,426
Sundry financial liabilities	281,516	**FLaC**	281,516	0	0	**AC**	281,516	0	281,516
Trade payables	14,364	**FLaC**	14,364	0	0	**AC**	14,364	0	14,364
Liabilities to affiliated companies	752	**FLaC**	752	0	0	**AC**	752	0	752
Other financial liabilities			0	0	0				
Derivative financial instruments	290	**FLHfT**	0	290	0	**FVTPL**		290	290
Other	526	**FLaC**	526	0	0	**AC**	526		526
Total financial liabilities	**397,481**		**397,191**	**290**	**0**		**397,191**	**290**	**397,481**
Aggregated according to measurement categories under IAS 39:									
Loans and receivables (LaR)	97,563	**LaR**	97,563	0	0				97,563
Available for sale (AfS)	8,782	**AfS**	4,208	0	4,574				8,782
Financial liabilities at cost (FLaC)	397,191	**FLaC**	397,191	0	0				397,191
Financial assets held for trading (FAHfT)	68	**FAHfT**	0	68	0				68
Financial liabilities held for trading (FLHfT)	290	**FLHfT**	0	290	0				290
Aggregated according to measurement categories under IFRS 9:									
ASSETS									
Financial assets measured at amortized cost		**AC**					97,563	0	97,563
Financial assets measured at fair value through profit or loss		**FVTPL**					0	8,850	8,850
EQUITY & LIABILITES									
Financial liabilities measured at amortized cost		**AC**					397,191	0	397,191
Financial liabilities measured at fair value through profit or loss		**FVTPL**					0	290	290

A financial asset is recognized at amortized cost if it is held within the scope of a business model whose objective is to realize contractually agreed cash flows, and if these cash flows solely constitute interest

2. Policies and Methods (Continued)

payments and repayments of the outstanding principal. At CHEPLAPHARM Group level, these are mainly trade receivables, cash at bank, and specific loans granted to non-affiliated companies. Amortized cost is determined according to the effective interest method.

All further financial assets are measured at fair value through profit or loss at CHEPLAPHARM Group level. Gains and losses from fair value changes are directly recognized through profit or loss. These financial assets are mainly investments and securities. These equity instruments are generally required to be measured at fair value through profit or loss in accordance with IFRS 9. For equity instruments, IFRS 9 grants the option to alternatively disclose changes in fair value in other comprehensive income. The Group does not exercise this option, measuring equity instruments at fair value through profit or loss.

(b) Impairments

The requirements on recognition of impairments of financial assets, which, in accordance with IFRS 9, are based on an expected loss model (so-called "expected credit loss model"), have fundamentally been revised and include considerable judgments concerning the issue as to how expected credit losses are influenced by changes in economic factors. Other than under IAS 39, financial assets are required to be classified by different risk categories depending on historical and future expected default probabilities and risk provision is required to already be made before default events occur.

At CHEPLAPHARM Group level, an impairment for expected credit losses is recognized for financial assets recognized at amortized cost, with the simplified impairment model being applied for trade receivables and impairments regularly being measured in the amount of credit losses expected to be incurred over the term. The credit losses are determined on the basis of an item-by-item analysis of trade receivables, taking into account delinquencies.

For all other financial assets within the scope of application of the IFRS 9 impairment model, 12-month credit losses are measured unless the default risk of a financial instrument increased significantly since its initial recognition. If the credit risk of a financial asset increases significantly, impairment losses in the amount of the credit loss expected over the term are also recognized. For this purpose, it is regularly examined whether the credit risk has increased significantly since initial recognition. If the credit risk is low, it is assumed that it has not significantly increased.

A financial asset continues to be directly written down if, after appropriate assessment, it is not expected to be fully or partly realizable.

The initial application of the IFRS 9 impairment model has the following conversion effects for CHEPLAPHARM Group:

Reconciliation of impairments from IAS 39 to IFRS 9

Classification under IAS 39	Impairment loss under IAS 39 as at 31 Dec. 2017	Expected credit losses	Impairment loss under IFRS 9 as at 1 Jan. 2018	Classification under IFRS 9
	kEUR	kEUR	kEUR	
Trade receivables				
Loans and receivables (LaR)	1,318	267	1,585	At amortized cost

No impairment losses had to be taken into account for the other assets allocable to the measurement category "at amortized cost".

As a result of the changes made in accordance with IFRS 9, the retained profits brought forward as at 1 January 2018 were adjusted accordingly in the amount of kEUR 267, excluding deferred taxes.

2. Policies and Methods (Continued)

(c) Hedge Accounting

On 1 January 2018, there were derivative financial instruments (see note 20). The derivative financial instruments are not used as part of an effective hedging relationship. Therefore, these financial instruments were recognized at fair value through profit or loss both in accordance with IAS 39 and IFRS 9.

(d) Disclosures

The initial application of the Standard requires additional explanatory disclosures in the notes to the financial statements.

Overall, the initial application of IFRS 9 as of 1 January 2018 has no major effects on the assets, liabilities, financial position, and financial performance of CHEPLAPHARM Group.

IFRS 15—Revenue from Contracts with Customers

IFRS 15 was published in May 2014 and introduces a new model of revenue recognition with five analysis steps, which is applicable to any revenue under contracts with customers. The core principle of this Standard is that an entity is required to recognize revenue, when the time goods or services are transferred to customers, in the amount of the consideration which the entity can reasonably expect to receive for the transfer of these goods or services. The principles under IFRS 15 provide a structured approach for measuring and recognizing revenue. The scope of application of this Standard covers all types of industries and entities and therefore supersedes all existing regulations which related to the area of revenue recognition (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue—Barter Transactions Involving Advertising Services). Compared to the revenue recognition standards presently applicable, the adoption of this new Standard requires more estimates and judgments because the amount of revenue to be recognized is determined by the amount of the consideration which the entity can reasonably expect to receive for the transfer of the goods or services.

At CHEPLAPHARM Group level, IFRS 15 was applied according to the modified retrospective approach as of 1 January 2018. Therefore, the adjustments to the requirements under IFRS 15 were recognized in the opening balance sheet as at 1 January 2018. The accounting and recognition methods of the prior year were not adjusted and continue to meet the requirements under IAS 18.

The business activities of CHEPLAPHARM Group mainly consist in distribution of branded pharmaceuticals, food supplements, medical products and cosmetics (hereafter referred to as "products"), with CHEPLAPHARM Group acting as a principal. Revenue under contracts with customers under which the sale of goods constitutes the sole performance obligation is recognized at the time when the power to dispose of the assets passes to the customer. This is usually the case at the time of delivery. Delivery is deemed to be completed when the power of disposal associated to title passed to the buyer in accordance with the contractual agreements, the consideration has been determined, and settlement of the account receivable is probable. Revenue is measured in the amount of the consideration received or to be received. The application of IFRS 15 did not lead to any changes in revenue recognition compared to the previous procedure.

The contracts on sale of pharmaceuticals concluded at CHEPLAPHARM Group level often provide for rebates. The Group recognizes revenue from sale of pharmaceuticals at the fair value of the remuneration received or of the account receivable less returns, price rebates and discounts. If revenue cannot be reliably measured, it is cut off as long as the uncertainty ceases to exist. Under IFRS 15, such contractual arrangements lead to the fact that the remuneration is variable and has to be estimated at the time the contract is concluded. To avoid overstatement of revenues realized, IFRS 15 requires that the variable consideration is only recognized to the extent, that it is highly probable that a subsequent significant reversal of the revenue recognized will not occur. Since rebates can normally directly be allocated to specific revenue and be reliably estimated at CHEPLAPHARM Group level, there are no resulting

2. Policies and Methods (Continued)

changes in revenue recognition through IFRS 15 compared to IAS 18. Deferred rebates are disclosed under trade payables.

The Group has concluded consignment agreements with dealers. Under IFRS 15, the time of revenue realization is determined according to the "control" concept in these cases. This concept is specified in more detail in IFRS 15.33. According to this concept, control is deemed to have been gained, if others are "prevented from directing the use of and obtaining the benefits from the asset". The Group's analysis of its consignment agreements disclosed that revenue has to be continued to be recognized at the time pharmaceuticals are delivered to end customers. Therefore, the application of IFRS 15 has no adjustment effect.

IFRS 15 requires more disclosures in the consolidated financial statements than the previous Standards. Thus, quantitative and qualitative disclosures are required to be made in respect of the classification of revenues, concerning performance obligations and contract balances, as well as concerning significant judgments.

Overall, the initial application of IFRS 15 at CHEPLAPHARM Group level leads to reclassifications in the consolidated balance sheet and to further disclosures in the notes to the financial statements, but does not result in changes in equity as at 1 January 2018. New is specifically the disclosure of contract liabilities. IFRS 15 includes requirements on the disclosure of over performance and performance obligations existing at contract level. These are assets and liabilities under customer contracts that arise independently from the ratio of the entity's performance to the customer's payment. Consequently, a contract liability is the obligation of an entity to transfer goods or services to a customer for which the entity has received (or is to receive) a consideration from this customer. In compliance with these requirements, reclassifications were made from the balance sheet item other liabilities to contract liabilities. Contract liabilities arise from payments received on account of contracts that are in the scope of application of IFRS 15.

Clarifications Concerning IFRS 15—Revenue from Contracts with Customers

In April 2016, the International Accounting Standards Board (IASB) published the final clarifications concerning its new Standard on revenue recognition, IFRS 15—Revenue from Contracts with Customers. The related changes clarify implementation issues. These issues relate to the identification of performance obligations, the application guidelines for principal/agent relationships and licenses for intellectual property (IP) as well as transitional provisions. In addition, the purpose of the changes is to ensure a more uniform procedure in implementing IFRS 15 and to reduce the costs and complexity associated with its application.

For details on the effects on the Group, see the statements regarding IFRS 15.

2. Policies and Methods (Continued)

The overall adjustments of balance sheet items resulting from the conversion from IFRS 9 to IFRS 15 as at the time of conversion 1 January 2018 were as follows:

		Prospective application		Modified retrospective application	
Balance sheet item	**31 Dec. 2017 prior to application of new IFRSs**	**Adjustments IFRS 9 (class. & measurem.)**	**Adjustments IFRS 9 (impairment)**	**Adjustments IFRS 15**	**1 Jan. 2018 after application of new IFRSs**
	kEUR	**kEUR**	**kEUR**	**kEUR**	**kEUR**
Current assets					
Intangible assets	384,120	0	0	0	384,120
Property, plant and equipment	4,345	0	0	0	4,345
Sundry financial assets	4,208	0	0	0	4,208
Other non-current assets	68	0	0	0	68
Total non-current assets	**392,741**	**0**	**0**	**0**	**392,741**
Current assets					
Inventories	37,141	0	0	0	37,141
Trade receivables	52,339	0	267	0	52,606
Income tax assets	256	0	0	0	256
Other current assets	6,299	0	0	0	6,299
Securities	4,574	0	0	0	4,574
Cash at bank and cash-in-hand	42,504	0	0	0	42,504
Total current assets	**143,113**	**0**	**267**	**0**	**143,380**
Total assets	**535,854**	**0**	**267**	**0**	**536,121**

2. Policies and Methods (Continued)

Balance sheet item	31 Dec. 2017 prior to application of new IFRSs	Prospective application		Modified retrospective application	1 Jan. 2018 after application of new IFRSs
		Adjustments IFRS 9 (class. & measurem.)	Adjustments IFRS 9 (impairment)	Adjustments IFRS 15	
	kEUR	kEUR	kEUR	kEUR	kEUR
Equity					
Share capital	25	0	0	0	25
Retained profits brought forward	68,562	0	185	0	68,747
Other comprehensive income	315	0	0	0	315
Consolidated net profit	27,160	0	0	0	27,160
Total equity	**96,062**	**0**	**185**	**0**	**96,247**
Non-current liabilities					
Loans granted by related parties	36,607	0	0	0	36,607
Mezzanine capital	63,426	0	0	0	63,426
Sundry financial liabilities	183,192	0	0	0	183,192
Deferred tax liabilities	32,952	0	82	0	33,034
Other liabilities	290	0	0	0	290
Total non-current liabilities	**316,467**	**0**	**82**	**0**	**316,549**
Current liabilities					
Sundry financial liabilities	98,324	0	0	0	98,324
Trade payables	14,364	0	0	0	14,364
Contract liabilities	0	0	0	2,483	2,483
Liabilities to affiliated companies	752	0	0	0	752
Income tax liabilities	5,729	0	0	0	5,729
Other provisions	0	0	0	0	0
Other liabilities	4,156	0	0	−2,483	1,673
Total current liabilities	**123,325**	**0**	**0**	**0**	**123,325**
Total equity and liabilities	**535,854**	**0**	**267**	**0**	**536,121**

IFRIC 22—Foreign Currency Transactions and Advance Consideration

In December 2016, the IASB published IFRIC 22. This Interpretation covers transactions in foreign currency if an entity recognizes a non-monetary asset or a non-monetary liability which arises from an advance payment or advance receipt of a consideration before the entity recognizes the related asset, income or expense. The time of the transaction for the purposes of determining the exchange rate is the initial recognition of the non-monetary asset arising from the advance payment or of the non-monetary liability arising from deferred income. If there are several advance payments or receipts, a transaction time is determined for every payment and every receipt. This Interpretation is not applicable if an entity measures the related asset, income or expense at fair value at the time of initial recognition or at the fair value of the consideration received or paid at a time other than the time of initial recognition of the non-monetary asset or of the non-monetary liability. Furthermore, the Interpretation is not required to be applied to income taxes, insurance contracts and pension liability insurance contracts.

CHEPLAPHARM Group prospectively applied IFRIC 22 as of 1 January 2018 for the first time to all assets, income and expenses that are within the scope of application of this Interpretation and that were initially recognized on or after 1 January 2018. The application of this Interpretation has no major effects on the Group.

2. Policies and Methods (Continued)

The new regulations listed below are not applicable to the Group and will therefore not impact on the Group's assets, liabilities, financial position, and financial performance:

- IFRS improvements (2014-2016): Revision of IFRS 1 and IAS 28,
- Revision of IFRS 2: Classification and Measurement of Share-based Payment Agreements,
- Revisions of IFRS 4: Application of IFRS 9—Financial Instruments together with IFRS 4—Insurance Contracts,
- Revision of IAS 40—Transfer of Investment Property.

The IASB published the Standards and Interpretations listed below which have already been implemented into EU law, but had not yet been mandatorily applicable in the financial year. CHEPLAPHARM does not apply these Standards and Interpretations early. The detailed presentation is restricted to such Standards and Interpretations which might on principle be relevant at CHEPLAPHARM Group level in the future:

IFRS 16—Leases

In January 2016, the IASB published the new Standard on recognition of leases, which supersedes the previous Standard IAS 17. IFRS 16 defines the principles for recognizing, measuring, presenting, and disclosing leases and requires lessees to recognize all leases according to a single model similar to accounting for finance leases under IAS 17. For lessees, this Standard provides that the right to use the leased asset and a corresponding leasing liability mandatorily have to be recognized for most leases. However, for lessors there are only minor changes in comparison with the classification of, and accounting for, leases under IAS 17. Under IFRS 16, both lessees and lessors are required to provide extended disclosures in the notes to the financial statements. IFRS 16 is applicable from financial years beginning on or after 1 January 2019. Early adoption is admissible, is, however, only permitted if the entity also applies IFRS 15. Lessees applying this new Standard for the first time are permitted to choose either full retrospective recognition or modified retrospective recognition. The transitional provisions under IFRS 16 concede certain transitional reduced disclosure requirements.

CHEPLAPHARM Group intends to adopt this new Standard as of its official effective date, making use of modified retrospective recognition, as well as further optional reduced disclosure requirements. CHEPLAPHARM Group is generally a lessee. The new Standard is not expected to have any significant effects on CHEPLAPHARM Group because CHEPLAPHARM has only entered into an insignificant scope of obligations under leases. Therefore, there are only minor payment obligations for operating leases.

Payment obligations for operating leases are previously only required to be disclosed in the notes to the financial statements. In the future, the rights and obligations resulting from these leases are, however, required to be recognized as an asset (right to use the leased asset) and as a liability (leasing liability), respectively, on the balance sheet. In the statement of profit and loss, the expense related to operating leases has previously been disclosed under the item "other operating expenses". In the future, amortization of the right of use and interest expenses for leasing liabilities will be disclosed instead.

In the statement of cash flows, payments for operating leases have previously been disclosed under cash flows from operating activities. In the future, they will be classified by interest payments and repayments. While interest payments continue to be disclosed under cash flows from operating activities, repayments will be allocated to cash flows from financing activities.

The Company also elected to not apply the measurement requirements of the standard to leases where the term ends within 12 months of the date of initial application as a practical expedient upon transition.

The amount of the rights of use and corresponding financial liabilities required to be capitalized at CHEPLAPHARM Group level as of 1 January 2019 as a result of the application of IFRS 16 amounts to mEUR 0.3. The effects on the financial performance and the cash flow statement are immaterial.

2. Policies and Methods (Continued)

IFRS Improvements (2015-2017)

These improvements on 2015-2017 IFRSs constitute a joint Standard, which was published in December 2017 and addresses changes to various IFRSs which are applicable for financial years beginning on or after 1 January 2019. These IFRS improvements include the following revisions:

- IFRS 3: Clarification that an entity gaining control over a business which constitutes a joint activity is required to meet the requirements on successive business combinations, including the remeasurement at fair value of previously held shares in assets and liabilities of the joint activity, with the acquirer remeasuring its entire share previously held in the joint activity.
- IFRS 11: A party which holds a share in a joint activity, but does not share in its joint control might gain joint control over such joint activity whose activity constitutes a business within the meaning of IFRS 3. The changes specify that the shares previously held in this joint activity do not have to be remeasured.
- IAS 12: Clarification that the income tax consequences of dividends are rather related to past transactions which led to distributable profits than to distributions to shareholders. Therefore, an entity recognizes the income tax consequences of dividends, depending on where the past transactions have originally been recognized, either in the statement of profit and loss, in other comprehensive income or in equity.
- IAS 23: Clarification that an entity is required to treat borrowings which were originally raised for developing a qualified asset as an element of general external funds if the entire activities that are necessary for getting this asset ready for its intended use or sale have basically been completed.

CHEPLAPHARM Group intends to adopt this revision Standard as of its official effective date. This joint Standard is not expected to have any major effects on the Group's assets, liabilities, financial position, and financial performance.

IFRIC 23—Uncertainty over Income Tax Treatments

In June 2017, the IASB published IFRIC 23. This Interpretation is applicable to account for income taxes under IAS 12 if there are uncertainties in respect of the income tax treatment. It does not apply to taxes or levies that are not within the scope of application of IAS 12 and does not contain any requirements on interest and delay penalties in connection with uncertain tax treatments. This Interpretation specifically deals with the following issues:

- Decision as to whether an entity should assess uncertain tax treatments on an item-by-item basis,
- Assumptions made by an entity in respect of the examination of tax treatments through the tax authorities,
- Determination of taxable profit (taxable loss), of the tax assessment bases, of unrealized tax losses, of unrealized tax credits, and of tax rates,
- Taking into account of changes in facts and circumstances.

An entity has to determine whether each uncertain tax treatment is assessed separately or together with one or several other uncertain tax treatments. The approach chosen for this purpose should enable a better prediction in respect of the elimination of the uncertainty. This Interpretation is applicable for reporting periods beginning on or after 1 January 2019. However, it is possible to take advantage of certain transitional reduced disclosure requirements.

CHEPLAPHARM Group intends to apply this Interpretation as of the official effective date. Since the Group operates in an international environment, this Interpretation might have effects on the consolidated financial statements. The Group performs further processes and procedures in order to obtain the information that is necessary for applying the Interpretation on time.

2. Policies and Methods (Continued)

The new regulations listed below are not applicable to CHEPLAPHARM Group and will therefore not impact on the Group's assets, liabilities, financial position, and financial performance:

- Revision of IAS 19—Plan Changes, Curtailments or Settlements,
- Revision of IAS 28—Non-current Investments in Associates and Joint Ventures,
- Revision of IFRS 9—Prepayment Features with Negative Compensation.

The IASB published the Standards and Interpretations listed below which had not yet been mandatorily applicable in the financial year 2018. These Standards and Interpretations have **not been recognized by the EU to date** and are not applied by CHEPLAPHARM Group. The detailed presentation is restricted to such Standards and Interpretations which might on principle be applicable to CHEPLAPHARM Group in the future:

Revised Framework Concept and Adjustments of Cross References in IFRSs

In March 2018, the comprehensively revised Framework Concept was published by the IASB. It immediately entered into force at the time of publication. This Framework Concept is not subject to the endorsement process. In this context, adjustments have also been made to cross references in the IFRSs to the Framework Concept and to interpretations of the Framework Concept. This may, for example, have effects on previously applied accounting and measurement methods which have been developed within the scope of IAS 8. However, these are subject to the endorsement process. The revisions are prospectively applicable on or after 1 January 2020. Earlier application is permitted if all related adjustments are applied.

The revision of the Framework Concept is not expected to have any effects on CHEPLAPHARM Group's assets, liabilities, financial position, and financial performance.

Revision of IFRS 3 Definition of a Business

The revisions of IFRS 3 Definition of a Business were published in October 2018. Their purpose is to support entities in determining whether a transaction has to be accounted for as a business combination or as an acquisition of assets. They specify the minimum requirements for a business (existence of input factors and of a substantial process which essentially permits to generate outputs). The previously necessary assessment as to whether market players are able to replace missing elements in this process is omitted. Supplementary guidance is to help to assess whether a process acquired is substantial. Furthermore, the definitions of business and output have been constricted in such a way that these are required to constitute services provided for customers. In addition, an optional concentration test, which is to permit a simplified assessment, is introduced. To illustrate the application of the revisions, explanatory examples have additionally been included. The revisions will be prospectively applicable on or after 1 January 2020. Early application is permitted.

These revisions are not expected to have any effects on CHEPLAPHARM Group's assets, liabilities, financial position, and financial performance.

Revisions of IAS 1 and IAS 8 Definition of Materiality

The revisions of IAS 1 and IAS 8 Definition of Materiality were published in October 2018. Information is material if the omission, incorrect presentation or obscuring of this information might reasonably influence the decision of the primary users. This new definition of materiality takes into account obscuring of information as a measure of materiality in the area of disclosures for the first time. It aims at the primary users of financial statements as defined in the Framework Concept since 2010. Furthermore, information must reasonably be able to influence decisions in order to be material. The revisions were made in order to adapt the definition to the statements regarding materiality in the 2018 Framework Concept and to generally facilitate their application. The revisions will be prospectively applicable for financial years beginning on or after 1 January 2020.

2. Policies and Methods (Continued)

These revisions are not expected to have any effects on CHEPLAPHARM Group's assets, liabilities, financial position, and financial performance.

The new regulations listed below are not applicable to the Group and will therefore not impact on the Group's assets, liabilities, financial position, and financial performance:

- IFRS 17—Insurance Contracts.

The requirements of all Standards and Interpretations applied were fully met and lead to conveyance of a true and fair view of CHEPLAPHARM Group's assets, liabilities, financial position, and financial performance. There was no deviation from these Standards on account of overriding principles.

3. Consolidation Methods

The subject of the consolidated financial statements are CHEPLAPHARM Arzneimittel GmbH and its subsidiaries. All subsidiaries which are legally controlled by CHEPLAPHARM have been included in the consolidated financial statements.

Subsidiaries acquired are accounted for according to the purchase method. The cost of the acquisition corresponds to the fair value of the assets given up, of the equity instruments issued and of the liabilities incurred or assumed at the time of the transaction. At the time of initial consolidation, assets, liabilities, and contingent liabilities identifiable as part of a business combination are measured at fair value at the time of transaction, irrespective of the scope of minority interest.

The excess of the cost of the acquisition over the Group's interest in the net assets acquired and measured at fair value is recognized as goodwill.

If the costs of the acquisition are lower than the subsidiary's net assets acquired and measured at fair value, the difference is directly recognized in the statement of profit and loss.

The effects of intragroup transactions are eliminated. Assets and liabilities between consolidated entities are offset against each other. Unrealized profits or losses on intragroup transactions are eliminated. Intragroup income is eliminated against corresponding expenses. Appropriate taxes on temporary differences arising on consolidation are deferred in accordance with IAS 12.

4. Currency Translation of Foreign Subsidiaries Sets of Financial Statements

Glenwood LLC, Englewood, New Jersey/U.S., is the only consolidated subsidiary that has its registered office outside the eurozone. The annual financial statements of this Company are translated into euro according to the functional currency concept. The functional currency of Glenwood LLC is the U.S. dollar (USD) because all major trade relationships are based on this Company's local currency.

Assets and liabilities are translated using the rates in effect at the reporting date, the statements of profit and loss are translated at annual average rates, from the functional into the reporting currency EUR. Resulting translation differences are recognized in other comprehensive income.

The EUR/USD rate at the reporting date is 0.8734 EUR/USD as at 31 December 2018 (prior year: 0.8338 EUR/USD). The average rate for the year 2018 is 0.8476 EUR/USD (prior year: 0.8852 EUR/USD).

In the statement of movements in fixed assets, the balance at the beginning of the consolidation and at the end of the financial year is translated using the respective rate in effect at the reporting date and the other items are translated at average rates. A difference arising from exchange rate changes is disclosed as a translation difference in a separate column both under cost and under accumulated amortization, depreciation and impairments.

5. Entities Included in Consolidation

All entities which are controlled by CHEPLAPHARM (subsidiaries) are included in the consolidated financial statements.

CHEPLAPHARM gains control when it has the power over the investee, is exposed to fluctuating returns from its investment, and has the ability to use its power to influence the rates of return.

CHEPLAPHARM reassesses whether or not it controls an investee if there are facts and circumstances which indicate that one or several of the three criteria of control referred to above have changed.

An entity is consolidated from the time CHEPLAPHARM is able to control this entity. If this ability ceases to exist, the entity concerned retires from the group of consolidated entities.

Besides CHEPLAPHARM as the parent company, the group of entities included in the consolidation as at 31 December 2018 comprises 5 (prior year: 7) domestic and 2 (prior year: 2) foreign subsidiaries which are controlled by CHEPLAPHARM on account of the majority of voting rights.

Further details on the subsidiaries included in the consolidated financial statements as at the reporting date are provided below:

Name and registered office of Company	Primary activity	Interest held as at 31 Dec. 2018	Capital as at 31 Dec. 2017
Walter Ritter GmbH & Co. KG, Hamburg/Germany	"Specialty pharmaceuticals" distribution	100.00%	100.00%
W. R. Pharmaceuticals Vertriebs-GmbH, Hamburg/Germany	No significant activity	100.00%	100.00%
Glenwood Verwaltung II UG, Mesekenhagen/Germany	Holding company	100.00%	100.00%
Glenwood LLC, Englewood, New Jersey/U.S.	"Specialty pharmaceuticals" distribution	100.00%	100.00%
Cheplapharm France SAS, Levallois Perret/France	"Specialty pharmaceuticals" distribution	100.00%	100.00%
Sanavita Pharmaceuticals GmbH, Hamburg/Germany	"Specialty pharmaceuticals" distribution	100.00%	100.00%
RubiePharm Vertriebs GmbH, Steinau an der Straße/Germany	No significant activity	0.00%	100.00%
RubiePharm Arzneimittel GmbH, Steinau an der Straße/Germany	"Specialty pharmaceuticals" distribution	100.00%	100.00%
Helm Medical GmbH, Hamburg/ Germany	"Specialty pharmaceuticals" distribution	0.00%	0.00%

Changes in the Group of Entities Included in the Consolidation

The group of entities included in consolidation changed as follows compared to 31 December 2017:

- Helm Medical GmbH, Hamburg/Germany, was merged into Sanavita Pharmaceuticals GmbH, Hamburg/Germany, as of 1 January 2018.
- RubiePharm Vertriebs GmbH, Steinau an der Straße/Germany, was merged into Sanavita Pharmaceuticals GmbH, Hamburg/Germany, as of 1 January 2018.

5. Entities Included in Consolidation (Continued)

These intragroup transactions had no impact on the assets, liabilities, financial position, and financial performance.

6. Accounting and Measurement Methods

The sets of individual financial statements of the entities included in the consolidation are prepared according to uniform accounting and measurement principles. The values recognized in the consolidated financial statements are solely determined by the economic presentation of the assets, liabilities, financial position, and financial performance within the scope of the requirements of the IASB.

Income and Expense Recognition

The revenue recognized relates to all revenues from product sales and services provided, and to royalty income. These are based on customer contracts and the performance promised under these contracts which are individually identified and separately presented for revenue recognition purposes. Other operative income is disclosed as other operating income.

As in the prior year, revenue is recognized in income when or as soon as the entity transfers to a customer the power to dispose of goods or services either over a period or at a point in time. This power of disposition lies with the customer if the customer is able to independently determine the use and the withdrawal of use related to a product or a service. In the case of product deliveries, revenue is recognized at the time which, as part of an overall assessment, is orientated towards the existence of a payment claim, the allocation of title, procurement of ownership, passage of risks and opportunities, as well as customer acceptance. For delivery transactions, the passage of risks and opportunities, and of the right to determine the destination of product transport are of special importance. However, revenue from services is recognized over the period of service provision and depending on stage of performance completion.

In terms of amount, revenue is restricted to the amount which CHEPLAPHARM Group expects to receive for the performance of obligations. Consideration components to be withheld for third parties have to be deducted. Therefore, revenue is reduced by value added tax, as well as actual and expected sales deductions resulting from rebates, cash discounts, and bonuses. Estimates in respect of sales deductions are primarily based on past experience, specific contract terms, and expectations in respect of the future revenue trend.

After acquiring drug licenses, CHEPLAPHARM often enters into a so-called “transition service and supply agreement” (TSA) with the seller, under which the interim period in respect of product distribution is outlined. The seller sells the drugs in its own name on the account of CHEPLAPHARM until the necessary marketing authorizations for CHEPLAPHARM are available. CHEPLAPHARM is not permitted to sell the drugs in its own name until the corresponding conditions under drug law are met. Until these conditions are met, the inventories continue to be accounted for at the level of the seller because the seller bears all risks in respect of the inventories. Only after the conditions under drug law have been met are the inventories billed and transferred to CHEPLAPHARM. In the period between the acquisition of the drug license and the acquisition of the inventories, CHEPLAPHARM receives from the seller of the license the gross profit (revenue of the seller less its sales input = net value) from the sale of the drugs. CHEPLAPHARM makes out corresponding invoices to the seller. These invoices are recognized as revenue in the amount of the net value (net of cash discounts and rebates).

Operating expenses are expensed at the time the service is received or at the time of its origination.

Interest income and interest expenses are recognized by means of the effective interest method.

Dividends are realized at the time the claim arises.

6. Accounting and Measurement Methods (Continued)

Intangible Assets

Intangible assets acquired for a consideration are capitalized at cost if it is probable that the use of the asset is related to a future economic benefit and the costs of the asset can be reliably determined. Borrowing costs are regularly capitalized only if they relate to the acquisition or production of a qualified asset.

The assets are amortized on a straight-line basis over their estimated useful life of 2 to 15 years. Impairment losses are taken into account.

The underlying useful lives correspond to the useful lives expected at group level. The appropriateness of the useful lives and the carrying amount are reviewed at annual intervals. Necessary changes in estimates are proactively taken into account.

Goodwill is not amortized, but tested for impairment at annual intervals. Reference is made to the following statements regarding impairment and to Note 16.

An intangible asset is required to be derecognized if no further economic benefit is anticipated from its use or its disposal any more. The gain on, or loss from, derecognition of an intangible asset is recognized in the statement of profit and loss at the time the asset is derecognized.

Property, Plant and Equipment

Property, plant and equipment are measured at cost less wear-related deprecation and impairment losses which are recognized on a case-by-case basis.

Production costs include all costs allocable to the production process as well as appropriate portions of production-related overheads. Borrowing costs are capitalized only if they relate to acquisition or production of a qualified asset.

Elements of property, plant and equipment with a limited useful life are depreciated on a straight-line basis over the estimated economic life unless another depreciation method is appropriate in exceptional cases on account of the actual pattern of benefits provided.

The underlying useful lives correspond to the useful lives expected at group level. The appropriateness of the useful lives and the carrying amount are examined at annual intervals. Necessary changes in estimates are prospectively taken into account.

The assets are depreciated over the following useful lives:

Designation	Useful life in years
Buildings	17 to 33
Technical equipment and machinery	5 to 11
Office and operating equipment	1 to 13

Impairment of Non-current Non-financial Assets

The recoverability of assets is examined in accordance with IAS 36 if there are events indicating, or indications of, an impairment. Write-downs are made if the future realizable amount of an asset is lower than its carrying amount. The amount realizable from an asset corresponds to the higher of fair value less costs to sell and present value of the future cash flows attributable to the asset (value in use). If it is impossible to allocate to specific assets own future cash inflows which are generated independently of other assets, their recoverability has to be tested on the basis of the next higher aggregated cash-generating unit of assets. If the reasons for an impairment cease to exist, corresponding write-ups are made (except for goodwill).

6. Accounting and Measurement Methods (Continued)

Leases

In accordance with IAS 17, the beneficial ownership of leased assets is attributed to the lessee if the lessee essentially bears all risks, and seizes all opportunities arising from the leased asset which are related to ownership. If beneficial ownership is attributable to CHEPLAPHARM Group, it is capitalized at the lower of the present value of the lease rentals plus incidental costs possibly to be borne by the lessee and the fair value of the leased asset at the time when the lessee is entitled to exercise its right to use the leased asset. The corresponding leasing liability, which is measured according to the effective interest method subsequent to initial recognition, is recognized at an equivalent amount. The leasing payments are classified by interest expenses and repayment of the leasing obligation in such a way that constant payment of interest on the remaining liability is achieved. Interest expenses are expensed as incurred.

The amortization methods and useful lives of capitalized leasing assets correspond to those of comparable assets acquired.

Rental income and rental expenses under operating leases are recognized on a straight-line basis over the term of the corresponding agreements.

Financial Instruments from 1 January 2018

Financial instruments are contracts which lead to a financial asset at the level of an entity and to a financial liability at the level of another entity. At the time of initial recognition, financial assets and financial liabilities are measured at fair value.

At CHEPLAPHARM Group level, **financial assets** are allocated to the categories "measured at amortized cost (AC)", and "measured at fair value through profit or loss (FVTPL)". Financial assets with residual terms of more than twelve months are classified as non-current.

The category "measured at amortized cost (AC)" comprises financial assets whose cash flows consist in interest payments and repayments and which are held according to a business model which provides for holding of the instrument in order to realize contractual cash flows. After initial recognition, they are measured at amortized cost less impairments, if any, according to the effective interest method.

The category "measured at fair value through profit or loss (FVTPL)" comprises financial assets which cannot be classified otherwise. They are measured at fair value. The resulting changes in value are recognized in the statement of profit and loss.

The existence of an impairment of a financial asset is determined on the basis of expected credit losses (expected loss model) as at every balance sheet date.

For this purpose, the simplified impairment model is applied for trade receivables, and impairments are always measured in the amount of the credit losses expected over the term. The credit losses are determined on the basis of an item-by-item analysis of trade receivables, taking into account delinquencies. For financial assets such as cash and cash equivalents, no impairment loss is recognized on the basis of expected credit losses on account of the very short terms (partially due at demand) and the credit standing of our contract partners. For all other financial assets within the scope of application of the impairment model under IFRS 9, risk provision is made on the basis of credit losses (expected loss model) expected to be incurred over the next twelve months.

An impairment loss of a financial asset is recognized as incurred. For financial assets of the category AC, the impairment reduces the amount recognized for the asset on the balance sheet. A financial asset continues to be directly amortized if, based on an appropriate estimate, it is not assumed to be fully or partially realizable.

Subsequent to initial recognition, **financial liabilities** are measured at amortized cost (AC) according to the effective interest method. Gains and losses are recognized through profit or loss as part of the

6. Accounting and Measurement Methods (Continued)

amortization by means of the effective interest method, as well as at the time the liabilities are derecognized. Liabilities with residual terms of more than twelve months are classified as non-current.

Financial assets and financial liabilities are **derecognized** if the power of disposition over the contractual rights has been lost or the underlying obligation has been met, terminated, or expired.

Financial Instruments until 31 December 2017

Non-current non-derivative financial assets are capitalized at fair value, which corresponds to cost, at the date of settlement, i.e. at the time assets originate or are transferred.

For the purposes of measurement as at the reporting date subsequent to initial recognition, financial assets are classified by loans and receivables extended by the Company, by financial assets held-to-maturity and available-for-sale financial assets. The classification depends on the purpose which the respective instrument was acquired for.

Subsequent to initial recognition, loans and receivables extended and held-to-maturity financial instruments are measured at amortized cost as at every reporting date. However, available-for-sale assets are recognized at fair value as at the reporting dates subsequent to initial recognition, with changes in the value of instruments held for trading being charged or credited in the statement of profit and loss.

Available-for-sale financial assets are recognized at fair value as at the reporting date if this value can be reliably determined. Fluctuations in the value between the reporting dates are allocated to reserves without profit or loss impact. The reserves are released through the statement of profit and loss either at the time of disposal or if the fair value sustainably decreases below the carrying amount.

Allowances with profit or loss impact are made on extended loans and receivables to the extent that the amount realizable as at the reporting date decreases below the carrying amount.

A financial asset (or a part of a financial asset or a part of a group of similar financial assets) is derecognized (i.e. removed from the consolidated balance sheet) if one of the following requirements is met:

- The contractual rights in respect of cash flows from a financial asset have expired, or
- the Group has transferred its contractual rights in respect of cash flows from a financial asset to third parties.

Current non-derivative financial assets classified as current assets comprise receivables, securities as well as cash at bank and cash-in-hand.

All current financial assets are initially recognized at fair value, which, for non-derivative financial instruments, corresponds to acquisition cost, at the date of settlement, i.e. at the time the account receivable originates or beneficial ownership is transferred. The acquisition cost of monetary receivables bearing minor or no interest corresponds to their present value at the time of origination.

Subsequent to initial recognition, current financial assets are measured depending on the categorization analogous to non-current financial assets.

—Receivables

Receivables are initially recognized at fair value and according to the amortized cost method subsequent to initial recognition, using the effective interest method and taking into account any impairment losses.

If there are doubts as to the recoverability of receivables, these are recognized at the lower realizable amount by making a corresponding specific allowance.

Receivables denominated in foreign currency are measured at the middle rate at the reporting date.

6. Accounting and Measurement Methods (Continued)

—Securities

Securities are recognized at market value.

—Cash at Bank and Cash-in-hand

Cash has been recognized at nominal amount. Foreign currency balances have been measured at the middle rate at the reporting date.

Non-derivative financial liabilities are initially recognized at fair value less transaction costs. Subsequent to initial recognition, these are accounted for at amortized cost. For non-current credits, any difference between the amount paid out (after deducting transaction cost) and the amount to be repaid is recognized through profit or loss according to the effective interest rate method over the term of the credit.

Non-derivative financial liabilities denominated in foreign currency are measured at the middle rate at the reporting date. Changes in value on account of currency effects are recognized through profit or loss.

Derivative Financial Instruments

CHEPLAPHARM regularly uses derivative financial instruments for hedging against interest rate risks.

In accordance with the rules under IAS 39, derivative financial instruments are regularly recognized at fair value (without taking into account incidental costs) in the balance sheet and accounted for at fair value accordingly subsequent to initial recognition.

Changes in the fair value of derivative financial instruments are directly recognized in the net profit or loss for the period. Positive and negative fair values are disclosed on the asset and on the liability sides, respectively, taking into account deferred taxes. There is no hedging.

Inventories

The item inventories comprises raw materials, consumables and supplies, work in progress and finished goods and merchandise as well as prepayments.

Inventories are recognized at cost. As at the reporting date, they are measured at the lower of cost and net realizable value.

The net realizable value corresponds to the sales revenue realizable in course of the ordinary business less directly allocable costs to sell.

Besides directly allocable costs, cost also includes appropriate portions of indirect material and production overheads at normal utilization of the production facilities concerned to the extent that these are incurred in connection with the production process. Costs of company pension plans, for social facilities of the business and voluntary social benefits of the Company as well as general and administrative expenses are also taken into account to the extent that these relate to the area of production. Finance costs are not included in cost.

Current Non-financial Assets

Current non-financial assets primarily relate to tax assets as well as to other non-contractual claims and prepaid expenses.

Current non-financial assets are recognized at cost. Subsequent to initial recognition, they are measured at amortized cost, taking into account appropriate allowances.

6. Accounting and Measurement Methods (Continued)

Other Non-financial Liabilities

Other non-financial liabilities which are not based on contractual commitments and the direct or indirect subject of which is the exchange of cash are disclosed under the item other liabilities unless these are tax liabilities.

Non-financial liabilities are initially recognized at the amount which corresponds to the anticipated outflow of resources. Subsequent to initial recognition, changes in value which result from new findings are charged or credited in the statement of profit and loss. The amount required to be recognized is the amount of the best possible estimate which is necessary for settling the liability as at the reporting date.

Liabilities denominated in foreign currency are measured at the middle rate at the reporting date.

Income Taxes

In accordance with IAS 12, deferred taxes are recognized for temporary differences between the individual Companies' tax balance sheet values and the values recognized in the consolidated financial statements. Tax loss carryforwards which are likely to be realizable in the future are capitalized in the amount of the deferred tax asset.

Asset-side deferred taxes are eliminated against liability-side deferred taxes if they belong to the same taxable entity and this taxable entity is entitled to offset current tax assets against tax liabilities and they relate to income taxes which are levied by the same fiscal authority.

The deferred tax rates ranged from 14.5% to 16.4% (prior year: from 13.3% to 16.4%) for German municipal trade tax and were at 15.8% (prior year: 15.8%) for German corporate income tax and the solidarity surcharge. There are no deferred taxes at the level of the two foreign subsidiaries.

Current income taxes have been disclosed as income tax liabilities to the extent that they have not yet been paid over. If the income tax amounts already paid exceed the amounts owed, the differences have been recognized as income tax assets.

Material Judgments and Estimates

In applying the accounting and valuation methods, management made the following judgments and estimates which impact on the amount and the disclosure of recognized assets and liabilities, of income and expenses, and of contingent liabilities:

—Measurement of Intangible Assets (See Note 16)

In acquiring drug licenses, CHEPLAPHARM determines the useful life of these intangible assets according to criteria such as market share, possible market entry of potential competitors, legal and country risks, as well as revenue and sales budgeted for the respective medicine. Judgments are generally made in determining the useful life.

—Goodwill (See Note 16)

The impairment test of goodwill is based on forward-looking assumptions. These tests are performed by CHEPLAPHARM annually and additionally on occasions which indicate that goodwill might have been impaired. The determination of the value in use of the cash-generating unit includes definitions and estimates in respect of the forecast and discounting of future cash flows. Although management anticipates that the assumptions underlying the calculation of the realizable amount are appropriate, potential unforeseeable changes in these assumptions, for instance a reduction in EBITDA margins, a rise in cost of capital or a decrease in the long-term growth rate, lead to an impairment loss which could sustainably influence the assets, liabilities, financial position, and financial performance.

Estimates are based on empirical data and other assumptions which are deemed to be appropriate under the given circumstances. They are continuously verified, but may deviate from actual values.

6. Accounting and Measurement Methods (Continued)

Further explanations concerning assumptions and estimates made are provided in the statements regarding the individual items of the financial statements. All assumptions and estimates are based on circumstances and assessments at the reporting date. Furthermore, in assessing the future business development, the economic environment in the industries and regions CHEPLAPHARM Group operates in which was supposed to be realistic at this time has been taken into account. At the time the consolidated financial statements were prepared, the underlying assumptions and estimates were not expected to change significantly.

Notes to the Consolidated Statement of profit and loss

7. Revenue

Revenue was recognized in the following regions:

	2018	2017
	kEUR	kEUR
Revenue non-EU country	168,874	135,688
Revenue EU	135,605	87,068
Revenue Germany	22,584	19,539
Other Revenue	27	0
Sales deductions	−12,380	−5,452
	314,710	**236,843**

The open order backlog as at 31 December 2018 amounted to kEUR 31,490 and will lead to revenue in 2019.

8. Other Operating Income

The other operating income includes the following positions:

	2018	2017
	kEUR	kEUR
Gain on disposal of intangible assets	14,552	300
Exchange gains	1,128	0
Insurance damages	119	30
Income from derecognized liabilities	47	71
Recharges	22	406
Income of prior periods	0	41
Sundry	11	36
	15,879	**884**

In 2018, the gain on disposal of intangible assets related to the disposal of the Japanese license for the product Anexate and of the Turkish license for the product Dilatrend.

9. Cost of Materials

Cost of materials can be analyzed as follows:

	2018	2017
	kEUR	kEUR
Procurement of goods and contract manufacturing	94,164	74,571
Services provided by third parties	1,219	638
Other	227	422
	95,610	**75,631**

10. Staff Costs

Staff costs are classified as follows:

	2018	2017
	kEUR	kEUR
Wages and salaries	12,697	8,612
Social security costs	2,335	1,564
Other staff costs	620	366
	15,652	**10,542**

The employer's contributions to legal pension insurance funds in the financial year 2018 amount to kEUR 1,015 (prior year: kEUR 469).

11. Amortization, Depreciation and Impairments

An analysis of amortization, depreciation and impairments is as follows:

	2018	2017
	kEUR	kEUR
Amortization and impairments of intangible assets	102,843	76,136
Depreciation on property, plant and equipment	894	323
	103,737	**76,459**

For further details, see Notes 16 and 17 to intangible assets and property, plant and equipment, respectively.

12. Other Operating Expenses

Other operating expenses relate to the following items:

	2018	2017
	kEUR	kEUR
Distribution and delivery costs	24,297	16,051
Cost of drug safety, licenses, and quality assurance	6,952	4,499
Net exchange gain	0	1,530
Sundry	8,115	7,439
	39,364	**29,519**

Sundry consists primarily of legal and consulting fees (kEUR 1,499; prior year: kEUR 1,113), rental and leasing cost (kEUR 718; prior year: kEUR 592), royalties (kEUR 632; prior year: kEUR 554) and IT costs (kEUR 613; prior year: kEUR 332).

13. Net Income from Investments

The net income from investments includes the following items:

	2018	2017
	kEUR	kEUR
Gain on disposal of investments	5,707	0
Net loss/income from securities	−2,310	1,584
	3,397	**1,584**

The gain on disposal of investments relates to the shares in Clearum GmbH.

The net loss from securities disclosed in the reporting year relates to impairments, whereas this item had mainly disclosed dividend income and impairments in the prior year (see note 26).

14. Net Interest Expense

Net interest expense can be analyzed as follows:

	2018	2017
	kEUR	kEUR
Interest income	**31**	**46**
Interest expenses		
Interest paid on bank loans	57,291	16,517
Interest paid on loans granted by related parties	984	1,054
Loss on derivative financial instruments	8,930	160
Tax interest	0	1
	67,205	**17,732**
	−67,174	**−17,686**

Besides current interest and incidental costs for financial liabilities, interest paid on bank loans in 2018 includes a prepayment compensation totaling kEUR 20,000 for redemption of the mezzanine loan notes as at 12 July 2018, and transaction costs of kEUR 5,576 related to sundry financial liabilities redeemed as at 12 July 2018.

For details on interest expenses, reference is made to notes 20, 31, 32, and 33 to loans granted by related parties, mezzanine capital and financial liabilities as well as financial instruments.

15. Income Taxes

Income taxes can be analyzed as follows:

	2018	2017
	kEUR	kEUR
Municipal trade tax current year	3,774	2,691
Corporate income tax current year	1,320	2,222
Deferred taxes	642	8,199
Foreign income tax	559	10
Corporate income tax prior years	157	23
Municipal trade tax prior years	45	0
	6,497	**13,145**

The following table shows a reconciliation from the expected to the current tax expense disclosed. To determine the expected tax expense, earnings before income taxes are multiplied by a tax rate of 30.7%

15. Income Taxes (Continued)

(prior year: 30.7%), which includes a tax rate of 15.8% (prior year: 15.8%) for corporate income tax and the solidarity surcharge and of 14.9% (prior year: 14.9%) for municipal trade tax.

	2018	2017
	kEUR	kEUR
Earnings before income taxes	16,344	40,305
Tax determined using the national income tax rate	5,018	12,374
Deviation local tax rates	−10	−13
Nontaxable profits	−1,666	−461
Expenses not tax-deductible	2,534	749
Tax interest carryforwards which no deferred tax asset was capitalized for	350	466
Tax expenses and income for prior periods	202	23
Sundry differences	69	7
Income taxes of the period	**6,497**	**13,145**

As at the respective reporting dates, deferred taxes are attributable to the following balance sheet items:

	31 Dec. 2018 Assets	31 Dec. 2018 Liabilities
	kEUR	kEUR
Intangible assets	0	34,946
Inventories	0	91
Receivables	350	522
Derivative financial instruments	0	−2,811
Liabilities	−14	1,100
	336	**33,848**

	31 Dec. 2017 Assets	31 Dec. 2017 Liabilities
	kEUR	kEUR
Intangible assets	0	32,365
Receivables	0	458
Derivative financial instruments	0	−68
Securities	0	171
Liabilities	0	33
Loss carryforwards	0	−10
Other	0	3
	0	**32,952**

In the prior year, the deferred taxes on loss carryforwards of kEUR 10 capitalized had related to corporate income tax and municipal trade tax loss carryforwards of Sanavita Pharmaceuticals GmbH.

Besides the loss carryforwards which have been taken into account in capitalizing deferred taxes, there were corporate income and trade tax loss carryforwards as at 31 December 2018 at the level of RubiePharm Arzneimittel GmbH and Sanavita GmbH totaling kEUR 985 (prior year: kEUR 830), and kEUR 0 (prior year: kEUR 1,251), respectively. The related deferred taxes totaling kEUR 298 (prior year: kEUR 635) were not capitalized on account of these Companies' loss history.

Asset- and liability-side deferred taxes are eliminated against each other if they belong to the same taxable entity and this taxable entity is authorized to eliminate current tax assets against tax liabilities.

Notes to the Consolidated Balance Sheet

Assets

Fixed Assets

16. Intangible Assets

	Drug licenses and trademarks	EDP software	Goodwill	Prepayments made for intangible assets	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
Cost					
Balance 1 Jan. 2018	**553,473**	**800**	**2,668**	**856**	**557,797**
Exchange differences	142	0	0	0	**142**
Additions	481,256	350	0	23,347	**504,953**
Disposals	−14,156	0	0	0	**−14,156**
Reclassifications	21,260	0	0	−21,301	**−41**
Balance 31 Dec. 2018	**1,041,975**	**1,150**	**2,668**	**2,902**	**1,048,695**
Amortization and impairments					
Balance 1 Jan. 2018	**173,403**	**274**	**0**	**0**	**173,677**
Exchange differences	29	0	0	0	**29**
Additions(*)	102,671	172	0	0	**102,843**
Disposals	−7,557	0	0	0	**−7,557**
Balance 31 Dec. 2018	**268,546**	**446**	**0**	**0**	**268,992**
Carrying amount 31 Dec. 2018	**773,429**	**704**	**2,668**	**2,902**	**779,703**
Carrying amount 31 Dec. 2017	**380,070**	**526**	**2,668**	**856**	**384,120**

(*) Of which impairments: kEUR 0

	Drug licenses and trademarks	EDP software	Goodwill	Prepayments made for intangible assets	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
Cost					
Balance 1 Jan. 2017	**427,041**	**329**	**875**	**942**	**429,187**
Exchange differences	−412	0	0	0	**−412**
Additions from acquisitions	0	0	1,793	0	**1,793**
Additions	127,706	195	0	203	**128,104**
Disposals	−875	0	0	0	**−875**
Reclassifications	13	276	0	−289	**0**
Balance 31 Dec. 2017	**553,473**	**800**	**2,668**	**856**	**557,797**
Amortization and impairments					
Balance 1 Jan. 2017	**98,344**	**175**	**0**	**0**	**98,519**
Exchange differences	−104	0	0	0	**−104**
Additions(*)	76,037	99	0	0	**76,136**
Disposals	−874	0	0	0	**−874**
Balance 31 Dec. 2017	**173,403**	**274**	**0**	**0**	**173,677**
Carrying amount 31 Dec. 2017	**380,070**	**526**	**2,668**	**856**	**384,120**
Carrying amount 31 Dec. 2016	**328,697**	**154**	**875**	**942**	**330,668**

(*) Of which impairments: kEUR 0

16. Intangible Assets (Continued)

The additions of the year 2018 mainly relate to the acquisition of the licenses for the products Atacand, Visudyne, and Fungizone.

Goodwill of kEUR 875 relates to the acquisition of two companies RubiePharm Arzneimittel GmbH and RubiePharm Vertriebs GmbH and to goodwill of kEUR 1,793 resulting from the acquisition of Helm Medical GmbH. In the reporting year, RubiePharm Vertriebs GmbH and Helm Medical GmbH were merged into Sanavita Pharmaceuticals GmbH.

The goodwill of kEUR 875 arising on acquisition of the two companies RubiePharm Arzneimittel GmbH and RubiePharm Vertriebs GmbH was allocated to the contract manufacturing cash-generating unit, which is identical to the Company RubiePharm Arzneimittel GmbH.

The goodwill of kEUR 1,793 arising on acquisition of Helm Medical GmbH was allocated to the medical product cash-generating unit, which, after the merger of Helm Medical GmbH into Sanavita GmbH, is identical to the Company Sanavita GmbH.

In the reporting year, goodwill was tested for impairment in accordance with IAS 36. This impairment test was based on the present value of the future net cash inflows because there is no market price.

The values in use determined for the cash-generating units which include the goodwill significantly exceeded the respective carrying amounts of the cash-generating units. An increase in the discount factor by 1.0 percentage points would also not lead to an impairment requirement as at 31 December 2018.

The values in use were determined by means of budget figures for a 4-year period, using a pretax discount rate of 12.73% or 12.93% (prior year: 11.39%) and a growth factor after the detailed planning period of 1.00% (prior year: 1.00%) p.a. The discount factors were determined by means of market data. Weighted capital costs (WACC, weighted average cost of capital) are calculated according to the capital asset pricing model (CAPM). The growth factor corresponds to the expected long-term average inflation rate.

With the exception of goodwill, intangible assets generally have a limited useful life and are therefore amortized over the useful life.

17. Property, Plant, and Equipment

	Land and buildings	Technical equipment and machinery	Office and operating equipment	Assets under construction and payments made on account	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
Cost					
Balance 1 Jan. 2018	**3,783**	**288**	**1,612**	**49**	**5,732**
Exchange differences	0	0	1	0	**1**
Additions	649	2,240	720	2,862	**6,471**
Disposals	0	0	−28	0	**−28**
Reclassifications	0	0	0	41	**41**
Balance 31 Dec. 2018	**4,432**	**2,528**	**2,305**	**2,952**	**12,217**
Depreciation					
Balance 1 Jan. 2018	**318**	**101**	**968**	**0**	**1,387**
Exchange differences	0	0	1	0	**1**
Additions	109	255	530	0	**894**
Disposals	0	0	−28	0	**−28**
Balance 31 Dec. 2018	**427**	**356**	**1,471**	**0**	**2,254**
Carrying amount 31 Dec. 2018	**4,005**	**2,172**	**834**	**2,952**	**9,963**
Carrying amount 31 Dec. 2017	**3,465**	**187**	**644**	**49**	**4,345**

	Land and buildings	Technical equipment and machinery	Office and operating equipment	Assets under construction and payments made on account	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
Cost					
Balance 1 Jan. 2017	**3,615**	**189**	**1,179**	**17**	**5,000**
Additions	168	99	425	32	**724**
Disposals	0	0	−1	0	**−1**
Balance 31 Dec. 2017	**3,783**	**288**	**1,612**	**49**	**5,732**
Depreciation					
Balance 1 Jan. 2017	**213**	**74**	**781**	**0**	**1,068**
Additions	105	27	191	0	**323**
Disposals	0	0	−1	0	**−1**
Balance 31 Dec. 2017	**318**	**101**	**968**	**0**	**1,387**
Carrying amount 31 Dec. 2017	**3,465**	**187**	**644**	**49**	**4,345**
Carrying amount 31 Dec. 2016	**3,402**	**115**	**398**	**17**	**3,932**

18. Other Financial Assets

	31 Dec. 2018	31 Dec. 2017
	kEUR	kEUR
Clearum GmbH, Poggendorf/Germany	0	4,202
Med-Tec Holding GmbH, Poggendorf/Germany	6	6
	6	**4,208**

18. Other Financial Assets (Continued)

From the sale of the shares in Clearum GmbH the group recognized a gain in the amount of kEUR 5,707, which was recorded to net income from investments in the income statement.

Company	Interest	Equity	Earnings after taxes
	%	kEUR	kEUR
Med-Tec Holding GmbH, Poggendorf/Germany	24.9%	(1)	(1)

(1) No annual financial statements available.

The investments are held as mere financial investments. The carrying amounts largely correspond to fair value.

19. Leased Assets

The rental agreements and leases existing at the level of CHEPLAPHARM Group relate to business premises, the vehicle fleet and other assets (mainly SAP software and machinery). The corresponding leases are classified as **operating leases** because basically all risks and opportunities related to ownership remain with the lessor. There are no purchase options at the end of the lease terms, except for the leases concerning machinery. The rental agreements do not provide for price adjustment clauses or extension options.

The leasing payments are expensed on a straight-line basis in the statement of profit and loss over the periods.

The future rental and leasing payments for the next few years can be analyzed as follows:

	2018			2017		
Future rental and leasing payments	Business premises	Vehicle fleet	Other	Business premises	Vehicle fleet	Other
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
In a period of up to one year	595	109	113	302	76	115
In a period of more than one year and up to five years	45	64	36	679	59	217
In a period of more than five years	0	0	0	0	0	0
	640	**173**	**149**	**981**	**135**	**332**

The rental agreements on business premises have residual terms of up to 2 years or have been concluded for an indefinite term. The leases for the vehicle fleet have terms of up to 3 years. The leases for other assets have terms of up to 4 years.

The total expenses under all rental agreements and leases amounted to kEUR 718 in the reporting year (prior year: kEUR 570).

20. Derivative Financial Instruments

	31 Dec. 2018			31 Dec. 2017		
	Nominal amount	Derivatives with positive fair value	Derivatives with negative fair value	Nominal amount	Derivatives with positive fair value	Derivatives with negative fair value
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Interest rate swaps w/o hedge accounting	418,812	0	9,131	38,002	0	131
Interest rate caps	138,938	40	61	138,938	68	159
	557,750	40	9,192	176,940	68	290
Of which non-current		40	5,654		68	290
Of which current		0	3,538		0	0

The derivative financial instruments disclosed under other non-current assets, under other non-current financial liabilities, and under other current financial liabilities total kEUR 40 (prior year: kEUR 68), kEUR 5,654 (prior year: kEUR 290), and kEUR 3,538 (prior year: kEUR 0), respectively. See also note 33.

The derivative financial instruments solely relate to interest- and currency-related transactions as well as to OTC products, i.e. products which are not traded on a stock exchange.

Derivative financial instruments have been measured at the fair market value determined. This value is based on internal risk models which are determined according to recognized mathematical methods. The method applied for this purpose is the discounted cash flow method, where future cash flows are estimated on the basis of forward exchange rates (rates observable at the reporting date) and contracted forward exchange rates and discounted using an interest rate which takes into account the various counterparties' credit risk.

The carrying amounts of the derivatives correspond to fair market values.

21. Derivatives

Please refer to note 20 for the derivative financial instruments.

22. Inventories

Inventories can be analyzed as follows:

	31 Dec. 2018	31 Dec. 2017
	kEUR	kEUR
Raw materials, consumables and supplies	38,120	15,747
Work in progress	4,121	3,358
Finished goods and merchandise	20,532	17,825
Prepayments	16,468	211
	79,241	**37,141**

23. Trade Receivables

Trade receivables can be analyzed as follows:

	31 Dec. 2018	31 Dec. 2017
	kEUR	kEUR
Gross receivables	116,171	53,657
Allowances	−2,221	−1,318
	113,950	**52,339**

The Company continuously assesses the credit standing of its customers and normally requests no collaterals. The Company made allowances for potential losses of receivables outstanding. Such losses of receivables corresponded to management's estimates and assumptions and are within the normal scope of the business.

The major terms of payment range between cash in advance and a time of 180 days, net, allowed for payment.

The following table shows the changes in allowances on trade receivables:

	2018	2017
	kEUR	kEUR
Allowances made on 31 Dec. of prior year	1,318	68
Initial application of IFRS 9	267	0
Allowances made on 1 Jan.	1,585	68
Utilization	−2	−1
Additions during reporting period (allowance expense)	638	1,251
Allowances made on 31 Dec.	**2,221**	**1,318**

Allowances on trade receivables are normally recognized in allowance accounts. The decision as to whether a default risk is initially taken into account by means of an allowance account or directly taken into account by reducing the account receivable depends on the degree of probability of a loss of an account receivable outstanding. If receivables are classified as irrecoverable, the corresponding impaired asset is derecognized.

The following tables show the credit risk included in trade receivables:

Credit risk as at 31 December 2018:

			Of which: overdue as at reporting date for the following periods				
kEUR	Gross receivables	Of which: not overdue as at reporting date	Less than 30 days	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 120 days	More than 120 days
Trade receivables as at 31 Dec. 2018	116,171	96,261	9,302	4,326	2,786	283	3,213
Expected credit loss ratio					8.54%	50.18%	57.30%
Expected credit loss					238	142	1,841

CHEPLAPHARM makes allowances on trade receivables which are overdue for more than 60 days. Allowances of 25%, 50% and 75% are made on all receivables that are overdue between 61 and 90 days, between 91 and 120 days, and more than 120 days, respectively. Since qualitative criteria are additionally applied, the actual allowance rate can deviate from said percentages.

The receivables not overdue as at the reporting date include receivables of kEUR 11,935 whose due date depends on clearance sales of the inventories delivered to customers to their end customers. These receivables have separately been measured as part of a qualitative analysis.

23. Trade Receivables (Continued)

Credit risk as at 31 December 2017:

kEUR	Gross receivables	Of which: neither impaired nor overdue as at reporting date	Of which: not impaired as at reporting date and overdue for the following periods					Of which: impaired
			Less than 30 days	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 120 days	More than 120 days	
Trade receivables as at 31 Dec. 2017	53,657	37,285	6,200	6,190	715	21	1,885	1,361

24. Current Income Tax Assets

	31 Dec. 2018	31 Dec. 2017
	kEUR	kEUR
Corporate income tax	1	105
Municipal trade tax	31	151
	32	**256**

25. Other Current Assets

An analysis of other current assets is as follows:

	31 Dec. 2018	31 Dec. 2017
	kEUR	kEUR
Non-financial assets		
Other tax assets	3,665	3,327
Payments made on account	0	404
Prepaid expenses	158	252
Sundry	2	0
	3,825	**3,983**
Financial assets		
Other loans	869	1,916
Due from staff	204	202
Loan granted to Mr Sebastian Braun	156	153
Sundry	53	45
	1,282	**2,316**
	5,107	**6,299**

The other tax assets mainly relate to domestic and foreign value added tax.

The other loans predominantly relate to companies of the pharmaceutical industry.

Like in the prior year, the other financial assets are not overdue. There are no indications of potential defaults.

26. Securities

Securities classified as current assets relate to listed shares. The net income/loss from securities is disclosed under the item "net income from investments" in the consolidated income statement.

27. Cash at Bank and Cash-in-hand

This item can be analyzed as follows:

	31 Dec. 2018	31 Dec. 2017
	kEUR	kEUR
Cash at bank	86,360	42,494
Cash-in-hand	3	10
	86,363	**42,504**

Cash at bank relates to bank balances available on demand that do not accrue interest, and have solely been invested at banks with investment grade rating.

Notes to the Consolidated Balance Sheet

Equity and Liabilities

28. Share Capital

The share capital of EUR 25,000.00 corresponds to the share capital of CHEPLAPHARM Arzneimittel GmbH.

29. Net Profit Brought Forward

The variation in the net profit brought forward in the reporting year was as follows:

	2018	2017
	kEUR	kEUR
Retained profits brought forward on 31 Dec. of prior year	68,562	50,865
Initial application IFRS 9	−185	0
Balance 1 Jan.	68,377	50,865
Consolidated net profit for the year 2017/2016	27,160	17,697
Balance 31 Dec.	**95,537**	**68,562**

30. Other Comprehensive Income

The other comprehensive income includes the currency translation differences arising without profit or loss impact in translating the individual financial statements of Glenwood LLC from the functional currency USD into the reporting currency.

31. Loans Granted by Related Parties

Loans granted by related parties can be analyzed as follows:

	31 Dec. 2018	31 Dec. 2017
	kEUR	kEUR
Braun Hanse Holding GmbH	0	20,000
Norbert Braun	0	16,008
Sebastian Braun	0	599
Balance 31 Dec.	**0**	**36,607**

These loans were redeemed as part of the refinancing in the reporting year.

32. Mezzanine Loan Notes

On 5 April 2016, a financing package was signed for financing the acquisition of the drugs Xenical and Dilatrend. The three financing modules contain a **mezzanine loan note** of mEUR 65 with a term of 6 years, note loans **("senior loans")** in several tranches with terms of 3.5 and 5.5 years and a total volume of mEUR 95 and a new tranche within the syndicated bank financing of mEUR 160 plus mEUR 10 short-term operating financing.

On 15 September 2016, a junior note loan agreement **(mezzanine loan note)** was concluded with Rantum Capital GmbH & Co. Private Debt Fund I KG, Frankfurt am Main/Germany, and Proventus Capital Partners III KB, Stockholm/Sweden, on a fixed-interest loan of up to mEUR 65. The capital existing as at 31 December 2017 amounted to kEUR 63,426. This capital was redeemed early as part of the refinancing in the reporting year. As part of this early redemption, a prepayment compensation totaling kEUR 20,000, which is disclosed under finance result, was paid.

33. Other Financial Liabilities

Other financial liabilities can be analyzed as follows:

	31 Dec. 2018		31 Dec. 2017	
	non-current	current	non-current	current
	kEUR	kEUR	kEUR	kEUR
Bank loans	834,325	1,086	90,855	97,391
Note loans	0	0	95,000	0
Transaction costs	−15,490	−2,903	−2,663	−1,080
Overdraft facilities	0	1,455	0	2,013
Other	0	7,924	0	0
	818,835	**7,562**	**183,192**	**98,324**

CHEPLAPHARM's bank financing mainly comprises two different instruments.

Until and including 2014, CHEPLAPHARM's corporate financing via bilateral amortizing loans with various banks had been project-related. The residual financial liabilities as at the reporting date 31 December 2017 total kEUR 674. The collaterals furnished for the remaining financial liabilities from bilateral amortizing loans were pledged trademarks and licenses of the drugs Vesanoid and Rohypnol acquired through the transaction (carrying amount as at 31 Dec. 2017: kEUR 34,054), Mr Sebastian Braun's subordination, a profit retention and equity maintenance agreement including Mr Sebastian Braun's collateral purpose agreement, and Mr Norbert Braun's loan maintenance and subordination agreement.

On 28 January 2015, a new, also project-related instrument in the form of the syndicated loan agreement was established within the bank financing. On 30 June 2017, the syndicated loan dated 28 January 2015 was increased by mEUR 47.5 to a total principal of mEUR 329.44 under the 4th supplement. As at 4 January 2018, there was another increase of mEUR 69.0. All eight tranches have a respective term of 20 quarters and a corresponding straight-line repayment profile. The new tranche A8 had a term until 30 September 2022 and was paid out on 15 February 2018. This tranche accrues interest at a variable rate. In addition, the syndicated loan agreement provides for a working capital line of credit of up to mEUR 5 in the form of an overdraft facility.

On 28 November 2017, bilateral interim financing totaling mEUR 100 was agreed with Deutsche Bank. The purpose of this interim financing was to partly repay the syndicated financing and to acquire further licenses in January 2018. The interim financing included an amount of mEUR 50 which was issued in the form of notes. The amount was paid out in two partial amounts. The first partial amount of mEUR 50 was paid out on 29 December 2017. The second partial amount was paid out on 3 January 2018. The term was 9 months plus a 3-month extension option. The interest rate was 1-month EURIBOR plus 2.25% p.a.

33. Other Financial Liabilities (Continued)

The syndicated loan agreement provided for compliance with financial covenants and, in the event of non-compliance with these financial covenants, the lenders were granted an extraordinary right to give notice of termination. Compliance with the financial covenants was continuously monitored and controlled by management within the framework of the budget planning and by means of actual data and was regularly reported to the lending banks. In the financial year 2018 and in the prior year, the Company fully complied with the relevant financial covenants. Until the refinancing on 12 July 2019, the Company was in compliance with the covenants.

The financial liabilities within the syndicated loan have been collateralized through a loan maintenance and subordination agreement including collateral purpose agreement of Mr Sebastian Braun, of Mr Norbert Braun, of Braun Beteiligungs GmbH, and of Braun Hanse Holding GmbH, as well as through a profit retention and equity maintenance agreement.

As at 12 July 2018, the existing financing was restructured. The debts under the syndicated loan agreement, senior and junior note loans were redeemed and replaced by a senior facility in the form of a term loan B totaling mEUR 530, and a junior facility in the form of a revolving facility totaling mEUR 250. The junior facility was increased by another mEUR 60 to mEUR 310 as at 26 July 2018. The senior facility was increased by another mEUR 300 on 30 November 2018.

Both the term loan B and the revolving facility are maturity loans. The term of term loan B is 7 years until 30 June 2025. The revolving facility has a term of 6 years until 30 June 2024.

For term loan B, the shares in CHEPLAPHARM were furnished as a collateral.

The interest rate for term loan B1 is 1-month EURIBOR plus 4.5%. For term loan B2, this rate could be reduced to 1-month EURIBOR plus 4.0%. The interest rate of the revolving facility is 1-month EURIBOR plus 3.25%.

The senior facility agreement provides for a right to give notice of termination for extraordinary reasons, should financial covenants fail to be complied with. On the one hand, there is a covenant in the form of a net senior leverage, which should not exceed 5.75. On the other hand, the total net leverage is restricted and must not exceed 4.75 for new acquisitions.

To hedge against the interest rate risk, CHEPLAPHARM Group performed interest rate cap and interest rate swap transactions with selected syndicated banks for a nominal amount of mEUR 557.8 as at 31 December 2018 (mEUR 176.9 as at 31 December 2017) with different terms. For details, reference is made to note 20.

34. Liabilities to Affiliated Companies

These liabilities relate to a loan granted by Braun Beteiligungs GmbH, which is repayable at bullet maturity in 2026. There are subordination and maintenance agreements for this loan.

35. Deferred Tax Liabilities

For an analysis of deferred tax liabilities see note 15.

36. Other Non-current Financial Liabilities

Non-current other liabilities solely include non-current derivative financial instruments (see note 20).

37. Trade Payables

Trade payables include:

	31 Dec. 2018	31 Dec. 2017
	kEUR	kEUR
Liabilities Germany	27,045	5,377
Liabilities other EU countries	10,353	4,746
Liabilities non-EU countries	7,365	4,241
	44,763	**14,364**

The increase of "Liabilities Germany" is mainly attributable to the sourcing of inventories.

38. Contractual Liabilities

The contractual liabilities relate to payments received on account from customers and have varied as follows since 1 January 2018:

	kEUR
Balance 31 Dec. 2017	**0**
Initial application IFRS 15	2,483
Balance 1 Jan. 2018	**2,483**
Realized as revenue	−2,483
Addition	204
Balance 31 Dec. 2018	**204**

39. Liabilities to Affiliated Companies

The liabilities disclosed under liabilities to affiliates include the financial liabilities to Dr. Hotz GmbH (prior year: Braun Beteiligungs GmbH).

40. Current Income Tax Liabilities

Current income tax liabilities can be analyzed as follows:

	31 Dec. 2018	31 Dec. 2017
	kEUR	kEUR
Municipal trade tax	5,621	3,512
Corporate income tax	2,758	2,217
	8,379	**5,729**

41. Current Other Liabilities

	31 Dec. 2018	31 Dec. 2017
	kEUR	kEUR
Non-financial liabilities		
Other tax liabilities	1,657	203
Deferred	680	3,368
Social security liabilities	86	56
Sundry	14	3
	2,437	**3,630**
Financial liabilities		
Liability resulting from license acquisition	15,186	0
Current derivative financial instruments	3,538	0
Liability RubiePharm purchase price	141	141
Accrued financial statements preparation and audit costs	141	106
Due to staff	59	39
Deferred	20	220
Sundry	9	20
	19,094	**526**
	21,531	**4,156**

The other tax liabilities mainly relate to foreign value added tax.

The liability resulting from license acquisition relates to outstanding payments concerning the acquisition of the products Visudyne und Atacand. These payments are due in 2019.

For details on derivative financial instruments, see note 20.

The RubiePharm purchase price liability concerns the residual liability to the seller related to the acquisition of the shares in RubiePharm Arzneimittel GmbH and in RubiePharm Vertriebs GmbH.

42. Supplementary Notes to Financial Instruments

Carrying Amounts, Values Recognized, and Fair Values by Measurement Categories

CHEPLAPHARM classified its financial instruments analogous to the measurement categories under IFRS 9 because the risk diversification within these measurement categories is similar.

The following tables show the carrying amounts and fair values of each category of financial assets and liabilities under IFRS 9 as at 31 December 2018 and under IAS 39 as at 31 December 2017:

			Value recognized in balance sheet under IFRS 9		
Figures in kEUR	**Measurement category**	**Carrying amount 31 Dec. 2018**	**Amortized cost**	**Fair value through profit or loss**	**Fair value 31 Dec. 2018**
Financial assets					
Sundry financial investments					
Investments	**FVTPL**	6	0	6	6
Trade receivables	**AC**	113,950	113,950	0	113,950
Receivables from affiliated companies	**AC**	0	0		0
Other financial assets					
Derivative financial instruments	**FVTPL**	40	0	40	40
Other	**AC**	1,282	1,282	0	1,282
Securities	**FVTPL**	4,041		4,041	4,041
Cash at bank and cash-in-hand	**AC**	86,363	86,363		86,363
Total financial assets		**205,682**	**201,595**	**4,087**	**205,682**
Financial liabilities					
Sundry financial debts	**AC**	826,397	826,397	0	826,397
Trade payables	**AC**	44,763	44,763	0	44,763
Liabilities to affiliated companies	**AC**	1	1	0	1
Other financial liabilities					
Derivative financial instruments	**FVTPL**	9,192	0	9,192	9,192
Other	**AC**	15,556	15,556	0	15,556
Total financial liabilities		**895,909**	**886,717**	**9,192**	**895,909**
Aggregated according to measurement categories under IFRS 9:					
ASSETS					
Financial assets measured at amortized cost	**AC**	201,595	201,595	0	201,595
Financial assets measured at fair value through profit or loss	**FVTPL**	4,087	0	4,087	4,087
EQUITY & LIABILITIES					
Financial liabilities measured at amortized cost	**AC**	886,717	886,717	0	886,717
Financial liabilities measured at fair value through profit or loss	**FVTPL**	9,192	0	9,192	9,192

42. Supplementary Notes to Financial Instruments (Continued)

Figures in kEUR	Measurement category	Carrying amount 31 Dec. 2017	Value recognized in balance sheet under IAS 39				Fair value 31 Dec. 2017
			Amortized cost	Cost	Fair value through profit or loss	Fair value w/o P&L impact	
Financial assets							
Investments	**AfS**	4,208	4,208		0	0	4,208
Trade receivables	**LaR**	52,339	52,339	0	0	0	52,339
Receivables from affiliated companies	**LaR**	0	0	0	0	0	0
Other financial assets							
Derivative financial instruments	**FAHfT**	68	0		68	0	68
Other	**LaR**	2,720	2,720		0	0	2,720
Securities	**AfS**	4,574	0		0	4,574	4,574
Cash at bank and cash-in-hand	**LaR**	42,504	42,504	0	0	0	42,504
Total financial assets		**106,413**	**101,771**	**0**	**68**	**4,574**	**106,413**
Financial liabilities							
Loans granted by related parties	**FLaC**	36,607	36,607	0	0	0	36,607
Mezzanine capital	**FLaC**	63,426	63,426	0	0	0	63,426
Sundry financial debts	**FLaC**	281,516	281,516	0	0	0	281,516
Trade payables	**FLaC**	14,364	14,364	0	0	0	14,364
Liabilities to affiliated companies	**FLaC**	752	752	0	0	0	752
Other financial liabilities							
Derivative financial instruments	**FLHfT**	290	0	0	290	0	290
Other	**FLaC**	526	526	0	0	0	526
Total financial liabilities		**397,481**	**397,191**	**0**	**290**	**0**	**397,481**
Aggregated according to measurement categories under IAS 39:							
Loans and receivables (LaR)		97,563	97,563	0	0	0	97,563
Available for sale (AfS)		8,782	4,208	0	0	4,574	8,782
Financial liabilities at cost (FLaC)		397,191	397,191	0	0	0	397,191
Financial assets held for trading (FAHfT)		68	0	0	68	0	68
Financial liabilities held for trading (FLHfT)		290	0	0	290	0	290

Determination of Fair Value

The carrying amount of non-current financial instruments corresponds to fair value.

The carrying amount of financial instruments of measurement category "AC", such as assets and liabilities, corresponds to fair value on account of the current maturities of these financial instruments. The carrying amount of financial liabilities largely corresponds to fair value because these predominantly bear interest at variable rates.

The Company monitors the variations in fixed- and variable-interest liabilities as well as in non-current and current liabilities. Related business and other finance risks are verified.

The Group uses the following hierarchy for determining and disclosing fair values of financial instruments for each measurement procedure:

Level 1: Quoted (unadjusted) prices in active markets for similar assets or liabilities,

42. Supplementary Notes to Financial Instruments (Continued)

Level 2: Procedures where all input parameters which have a material influence on the fair value recognized are either directly or indirectly observable,

Level 3: Procedures using input parameters which have a material influence on the fair value recognized and are not based on an observable market data.

As in the prior year, derivatives as at 31 December 2018 (see note 20) and securities (see note 26) were measured at fair value at the level of CHEPLAPHARM Group. The fair values of derivatives are derived from observable market data and are thus attributable to hierarchy level 2. Securities are measured at market price and are thus attributable to hierarchy level 1.

Both in the reporting year and in the prior year, no instruments were reclassified between these three levels.

Notes to the Statement of Profit and Loss

The following table shows the net gains or losses from financial instruments taken into account in the statement of profit and loss:

Net gain/loss according to measurement categories in kEUR	Interest & dividends	Resulting from measurement subsequent to initial recognition: Measured at fair value	Resulting from measurement subsequent to initial recognition: Impairment loss	Disposal-related	Net gain/loss 2018	Net gain/loss 2017
Categories under IFRS 9 from 1 January 2018:						
Financial assets at amortized cost (AC)	31	0	−638		−607	N/A
Financial assets at fair value through profit or loss (FVTPL)	119	0	−2,429	5,707	3,397	N/A
Financial liabilities at amortized cost (AC)	−58,275	0	0	47	−58,228	N/A
Financial liabilities at fair value through profit or loss (FVTPL)	0	−8,930	0	0	−8,930	N/A
Categories under IAS 39 until 1 January 2017:						
Financial assets and liabilities held for trading (FAHfT/FLHfT)					N/A	−160
Loans and receivables (LaR)					N/A	−1,205
Available for sale (AfS)					N/A	1,584
Financial liabilities at cost (FLaC)					N/A	−17,571
					−55,438	**−17,352**

The net gains of the category under IFRS 9 "Financial Assets at Amortized Cost" (prior year: category under IAS 39 "Loans and Receivables") include allowances made on receivables and losses of outstanding receivables, as well as interest income. In CHEPLAPHARM's consolidated financial statements, income from allowances attributable to the category under IFRS 9 "Financial Assets at Amortized Cost" (prior year: category under IAS 39 "Loans and Receivables") is disclosed under other operating income and expenses related to allowances made on receivables and losses of receivables outstanding are disclosed under other operating expenses.

The net gains attributable to the category under IFRS 9 "Financial Assets at Fair Value through Profit or Loss" (prior year: category under IAS 39 "Available for Sale") include income from securities, and gains on disposal of investments which are disclosed under net income from investments.

42. Supplementary Notes to Financial Instruments (Continued)

The net losses attributable to the category under IFRS 9 "Financial Liabilities at Amortized Cost" (prior year: category under IAS 39 "Financial Liabilities at Cost") primarily result from interest paid on financial liabilities.

The net losses attributable to the category under IFRS 9 "Financial Liabilities at Fair Value through Profit or Loss" (prior year: category under IAS 39 "Financial Assets and Liabilities Held for Trading") result from derivative financial instruments accounted for and relate to fair value changes.

Interest from financial instruments is disclosed under interest result (see note 14).

43. Financial Risk Management and Financial Derivatives

General Notes to Risk Management

CHEPLAPHARM combines the measures for managing risks which exist at corporate level in a risk management system. The basic instruments of CHEPLAPHARM's risk management are regular reporting, forecast, planning and strategy processes. The system provides for regular identification and assessment of new and known risks through responsible staff. In addition, the corporate functions of CHEPLAPHARM Group report on financial and operative developments on a monthly basis. Through these measures, management is informed at regular intervals and at an early stage about the risk position and can take appropriate measures for risk mitigation and avoidance or prevention.

In respect of its assets, liabilities, planned transactions and existing obligations, CHEPLAPHARM is especially exposed to credit risks, default risks, cash risks, as well risks from changing interest rates. The goal of financial risk management is to mitigate these market risks through current operative and finance-orientated activities. According to management's assessment, there is no risk concentration. By means of the measures referred to above, it is regularly examined whether risk clusters develop.

Fundamental finance policies are determined by management at annual intervals. Management is responsible for implementing, and controlling during the year, the financial policies as well as current risk management.

Credit Risk

The liquid funds mainly contain cash and cash equivalents. In connection with the investment of liquid funds, the Group is exposed to losses resulting from credit risks if financial institutions fail to meet their obligations.

The risk of loss of liquid funds is deemed to be low because the banks the Group works with have excellent credit ratings.

Default Risk

The default risk is the risk of a loss for the Group if a contracting party fails to meet its contractual obligations. Default risks primarily relate to trade receivables which arise from ordinary business activities and predominantly relate to solvent small to medium-sized entities.

The Group only enters into business relationships with creditworthy contract partners and, if necessary, only if collaterals are furnished or prepayments are made in order to mitigate the risks of a loss from counterparty failure.

Before a business relationship is established, the respective credit quality of the potential customer is assessed.

Uncollected receivables are nevertheless continuously monitored; furthermore, the Group has established an active dunning system. Default risks are covered by making allowances. As part of a regular analysis of receivables portfolios, no significant change in the default risk was established in 2019.

43. Financial Risk Management and Financial Derivatives (Continued)

There are no major default risks of specific contracting parties or of a group of contracting parties with similar features.

The maximum default risk is reflected by the carrying amounts of the financial assets recognized in the balance sheet.

Liquidity Risk

The liquidity risk of CHEPLAPHARM Group consists in the fact that the Company is possibly unable to meet its financial obligations, for instance repayment of financial liabilities, payment of purchase commitments, and obligations under leases. To avoid a realization of this risk and to ensure that the Group is at any time able to pay and flexible in financial terms, a cash reserve in the form of cash and credit lines is provided. In addition, the Group's liquidity is continuously monitored by means of liquidity forecasts. As at 31 December 2018, the undrawn current credit lines available to the Group amounted to kEUR 310,000 (prior year: kEUR 6,225). These credit lines include a revolving credit facility within the meaning of an investment facility and an overdraft facility totaling kEUR 294,500 and kEUR 15,500, respectively.

The (non-discounted) repayments and interest payments expected to result from financial liabilities during the next few years are as follows:

kEUR	Carrying amount	2018	2019	2020	2021	2022	2023/ beyond 2022	Beyond 2023
As at 31 Dec. 2018								
Financial liabilities	826,397	N/A	49,982	41,115	41,518	41,514	41,266	886,194
Trade payables	44,763	N/A	44,763	0	0	0	0	0
Liabilities to affiliated companies	32,130	N/A	905	904	904	904	904	34,388
Other financial liabilities	15,555	N/A	15,555	0	0	0	0	0
As at 31 Dec. 2017								
Loans granted by related parties	36,607	1,050	1,050	1,050	1,050	1,050	37,657	N/A
Mezzanine capital	63,426	5,980	5,980	5,980	4,485	65,000	0	N/A
Financial debts	281,516	107,951	52,712	97,696	14,192	35,344	1,248	N/A
Trade payables	14,364	14,364	0	0	0	0	0	N/A
Liabilities to affiliated companies	752	752	0	0	0	0	0	N/A
Other financial liabilities	815	525	0	36	123	131	0	N/A

Interest payable on variable-interest financial liabilities was computed using current interest rates as at the reporting date.

Payments of derivative financial liabilities with a carrying amount of kEUR 9,192 is considered within the payments of the financial liabilities.

Financial Market Risks

CHEPLAPHARM is generally exposed to market price risks resulting from changes in exchange rates and interest rates. These may result in negative effects on the Group's assets, liabilities, financial position, and financial performance.

The major transactions of CHEPLAPHARM Group are performed in the eurozone. For the Company in the U.S., the functional currency is the USD. Consequently, there are currency risks between the USD and the EUR. Since the Companies in the U.S. predominantly perform their activities in their functional currency, the exchange risk of the Group from its normal operating activities and from translation of foreign sets of financial statements is deemed to be low.

43. Financial Risk Management and Financial Derivatives (Continued)

Besides, there are transactions in foreign currencies which manly result from the Group's operating activities, namely from transactions in CHF, USD, and GBP. Management regularly monitors the potential currency risks and, if necessary, takes active hedging measures in order to minimize risks. The resulting residual currency risk is generally deemed by management to be insignificant on account of the low volumes of the corresponding assets and liabilities.

The interest rate risk of the Group primarily results from financial liabilities which accrue variable interest on the basis of the EURIBOR. The Group is exposed to these interest rate risks in the eurozone.

Had the market interest rate level as at 31 December 2018 been 50 base points higher, earnings would have been kEUR 659 (31 December 2017: kEUR 1,179) lower. This hypothetical effect on earnings is due to the potential effects of variable-interest liabilities and from derivative financial instruments measured at fair value. Since no financial instruments are measured without profit and loss impact, there are no direct effects on consolidated equity beyond this earnings effect. The decrease in the amount in comparison with the prior year is due to the restructured financing.

As at 31 December 2018 (as well as in 2017), there was, in the Company's opinion, no significant other price risk.

44. Capital Management

The main objective of CHEPLAPHARM Group's capital management is to secure the ability to repay debts and to pay interest and to maintain financial resources in the future.

The Group manages its capital structure and makes adjustments, taking into account overall economic conditions. As at 31 December 2018, the goals, guidelines, and procedures remained unchanged. The goal is to appropriately adapt the capital structure to the business risk.

CHEPLAPHARM is subject to statutory capital requirements for limited liability companies. Compliance with these requirements is continuously monitored. In the reporting period, these requirements were met.

The capital managed by the Group is the economic equity and this capital is monitored by means of the debt-equity ratio, which corresponds to the ratio of net debt to economic equity, as well as of the total amount of net debt and equity ratio. Net debt comprises current and non-current financial liabilities less liquid funds. In addition to equity, the economic equity includes the liabilities to affiliated companies (in prior year: loans granted by related parties, and the mezzanine capital), which are disclosed under non-current liabilities.

	2018	2017
	kEUR	kEUR
Balance sheet total	1,078,782	535,854
Equity ratio	12.8%	36.6%
Economic equity	138,005	196,095

For details on the refinancing in 2018, reference is made to the disclosures in notes 33 and 47.

Other Notes

45. Other Financial Commitments

Other Financial Commitments

Other financial commitments as at 31 December 2018 totaled kEUR 27,116 (prior year: kEUR 14,946), and predominantly related to open accounts payable to suppliers for inventories. Furthermore, there were financial commitments of kEUR 223,502 as at 31 December 2018 (prior year: kEUR 194,597) which relate to investment contracts concluded for intangible assets. The predominant part of other financial commitments are due within one year.

46. Related Party Disclosures

Under IAS 24, there are disclosure requirements in respect of related parties.

Related parties are the managing directors, their relatives, as well as the shareholder Braun Beteiligungs GmbH and its shareholders.

For details on open receivables from, and liabilities to, related parties as at the reporting date, reference is made to the explanations in notes 25, and 34. The loans granted to or by related parties accrue interest at arm's-length interest rates.

There are no further material transactions with related parties.

47. Notes to the Cash Flow Statement

The variations in the Group's financial position are presented in the statement of cash flows. Cash funds include the balance sheet item "cash at bank and cash-in-hand" as well as parts of current financial liabilities. An analysis of cash funds is presented in the cash flow statement.

The following tables show reconciliations between opening and closing balance sheet figures for liabilities from financing activities.

	31 Dec. 2017	Cash effective		Non-cash effective		31 Dec. 2018
		Repaid	Raised	Interest	Other	
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Loans granted by related parties	36,607	−4,478	0	0	0	32,129
Mezzanine capital	63,426	−65,000	0	1,574	0	0
Bank loans	188,246	−625,343	1,272,508	0	0	835,411
Note loans	95,000	−95,000	0	0	0	0
Transaction costs	−3,743		−19,694	5,044		−18,393
Overdraft facilities	2,013	−565	7			1,455
Other	0		5,334	2,590		7,924
	281,516	−720,908	1,258,155	7,634	0	826,397
	381,549	**−790,386**	**1,258,155**	**9,208**	**0**	**858,526**

	31 Dec. 2016	Cash effective		Non-cash effective		31 Dec. 2017
		Repaid	Raised	Interest	Other	
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Loans granted by related parties	36,544	0	0	63	0	36,607
Mezzanine capital	40,679	0	22,425	322	0	63,426
Bank loans	146,329	−115,139	157,056	0	0	188,246
Note loans	95,000	0	0	0	0	95,000
Transaction costs	−4,061	0	−639	957	0	−3,743
Overdraft facilities	1,403	−156	120	0	646	2,013
	238,671	−115,295	156,537	957	646	281,516
	315,894	**−115,295**	**178,962**	**1,342**	**646**	**381,549**

48. Distributions to Shareholders

In the financial year 2018 (2017), no distributions were made to the shareholders of CHEPLAPHARM.

49. Post-balance-sheet-date Events

At the beginning of the year 2019, the rights to the products Dormicum and Lexotan (Roche) were successfully acquired. These products will be integrated during the next few years.

Furthermore, the business of Glenwood LLC was discontinued on account of falling sales of the product Potoba in the U.S. in 2019. In 2018, Glenwood LLC had accounted for around 0.1% of consolidated revenue.

For acquiring new products, a term loan B3 totaling mEUR 980 was granted at the end of June 2019. This loan replaced the term loans B1 and B 2 totaling mEUR 830 already existing. In addition, outside capital of mEUR 150 was raised. Moreover, an interest rate reduction and a bigger room for maneuver on covenants was reached.

The Companies Walter Ritter GmbH & Co.KG, W. R. Pharmaceuticals Vertriebs-GmbH, Sanavita Pharmaceuticals GmbH, and RubiePharm Arzneimittel GmbH were transferred to Braun Beteiligungs GmbH, Greifswald/Germany, as part of a split-off under German legislation on reorganization on 27 July 2019.

During the period after the reporting date and until the consolidated financial statements were prepared, there were no further major events which require special reporting.

Special Notes under Section 315e German Commercial Code (HGB)

50. Number of Employees

The number of people employed on the average in the financial year 2018 was 279 (prior year: 199). Like in the prior year, the workforce solely includes salaried employees.

51. Managing Directors

In the financial year 2018, the affairs were conducted by the following persons:

- Mr Sebastian Braun, Neuenkirchen/Germany, CEO,
- Ms Bianca Juha, Greifswald/Germany, CSO,
- Ms Edeltraud Lafer, Graz/Austria, COO,
- Mr Jens Rothstein, Rostock/Germany, CFO (since 4 May 2018).

52. Remuneration Paid to Management

The total emoluments paid to management in the reporting period amount to kEUR 601 (prior year: kEUR 604).

53. Fees Paid to the Auditors of the Financial Statements

The total fees of the auditors of the financial statements expensed for the reporting year amount to kEUR 234 (prior year: kEUR 71), and fully relate to audit services, tax advise, and other services, which account for kEUR 65 (prior year: kEUR 71), kEUR 35 (prior year: kEUR 0) and kEUR 134 (prior year: kEUR 0), respectively.

54. List of Shareholdings

The direct and indirect subsidiaries of CHEPLAPHARM are shown in the following list of shareholdings:

	Capital share	
Name and registered office of Company	**31 Dec. 2018**	**31 Dec. 2017**
Walter Ritter GmbH & Co. KG, Hamburg/Germany	100.00%	100.00%
W. R. Pharmaceuticals Vertriebs-GmbH, Hamburg/Germany	100.00%	100.00%
Glenwood Verwaltung II UG, Mesekenhagen/Germany	100.00%	100.00%
Glenwood LLC, Englewood, New Jersey/U.S.	100.00%	100.00%
Cheplapharm France SAS, Levallois Perret/France	100.00%	100.00%
Sanavita Pharmaceuticals GmbH, Hamburg	100.00%	100.00%
RubiePharm Vertriebs GmbH, Steinau an der Straße/Germany	0.00%	100.00%
RubiePharm Arzneimittel GmbH, Steinau an der Straße/Germany	100.00%	100.00%
Helm Medical GmbH, Hamburg/Germany	0.00%	100.00%

Greifswald/Germany, 4 December 2019

CHEPLAPHARM Arzneimittel GmbH

Sebastian Braun Bianca Juha Edeltraud Lafer Jens Rothstein

The following independent auditor's report (*Bestätigungsvermerk*) has been issued in accordance with Section 322 German Commercial Code (*Handelsgesetzbuch*) in German language on the German version of the consolidated financial statements and the group management report (*Konzernlagebericht*) of Cheplapharm Arzneimittel GmbH as of and for the financial year ended December 31, 2018. The group management report is neither included nor incorporated by reference in this Offering Memorandum.

INDEPENDENT AUDITOR'S REPORT

To CHEPLAPHARM Arzneimittel GmbH, Greifswald/Germany

Audit Opinions

We have audited the consolidated financial statements of CHEPLAPHARM Arzneimittel GmbH, Greifswald/Germany, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018, and the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2018, 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 CHEPLAPHARM Arzneimittel GmbH, Greifswald/Germany, for the financial year from 1 January to 31 December 2018.

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 International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2018, and of its financial performance for the financial year from 1 January to 31 December 2018, 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 Section 322 (3) Sentence 1 German Commercial Code (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 Section 317 German Commercial Code (HGB) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (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 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 audit 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 Section 315e (1) German Commercial Code (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 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 Section 317 German Commercial Code (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 judgement 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 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 with the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (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.

Hanover/Germany, 20 December 2019

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed: Heiko Engelhardt
Wirtschaftsprüfer
(German Public Auditor)

Signed: Christian Schelling
Wirtschaftsprüfer
(German Public Auditor)

CHEPLAPHARM Arzneimittel GmbH, Greifswald/Germany

Group balance sheet under IFRS

as at 31 December 2017

Assets	Note	31 Dec. 2017 kEUR	31 Dec. 2016 kEUR
Non-current assets			
Intangible assets	**16**	384,120	330,668
Property, plant and equipment	**17**	4,345	3,932
Other financial assets	**18**	4,208	0
Deferred tax assets	**34**	0	86
Other non-current assets			
Non-financial assets	**21**	0	160
Derivatives	**21**	68	204
Total non-current assets		**392,741**	**335,050**
Current assets			
Inventories	**22**	37,141	20,304
Trade receivables	**23**	52,339	32,419
Receivables from affiliated companies		0	127
Income tax assets	**24**	256	262
Other current assets			
Non-financial assets	**25**	3,983	1,162
Financial assets	**25**	2,316	249
Securities	**26**	4,574	2,836
Bank balances and cash-in-hand	**27**	42,504	33,534
Total current assets		**143,113**	**90,893**
Total assets		**535,854**	**425,943**

Equity and liabilities	Note	31 Dec. 2017 kEUR	31 Dec. 2016 kEUR
Equity			
Share capital	**28**	25	25
Net profit brought forward	**29**	68,562	50,865
Other comprehensive income	**30**	315	733
Consolidated net profit		27,160	17,697
Total equity		**96,062**	**69,320**
Non-current liabilities			
Loans granted by related parties	**31**	36,607	36,544
Mezzanine loan notes	**32**	63,426	40,679
Other financial debts	**33**	183,192	195,165
Deferred tax liabilities	**34**	32,952	24,828
Other financial liabilities	**35**	290	268
Total non-current liabilities		**316,467**	**297,484**
Current liabilities			
Other financial debts	**33**	98,324	43,506
Trade payables	**36**	14,364	12,706
Liabilities to affiliated companies	**37**	752	728
Income tax liabilities	**38**	5,729	1,158
Other liabilities			
Non-financial liabilities	**39**	3,630	775
Financial liabilities	**39**	526	266
Total current liabilities		**123,325**	**59,139**
Total equity and liabilities		**535,854**	**425,943**

CHEPLAPHARM Arzneimittel GmbH, Greifswald/Germany

Group income statement under IFRS

for the period from 1 January to 31 December 2017

	Note	2017	2016
		kEUR	kEUR
Revenue	**7**	236,843	132,535
Change in inventories		10,831	0
Other operating income	**8**	884	167
		248,558	**132,702**
Cost of materials	**9**	75,631	41,900
Personnel expenses	**10**	10,542	6,636
Amortization, depreciation and impairments	**11**	76,459	39,020
Other operating expenses	**12**	29,519	14,576
Results of operating activities		**56,407**	**30,570**
Net income from investments	**13**	1,584	95
Interest income	**14**	46	55
Interest expenses	**14**	−17,732	−5,956
Net finance cost		**−16,102**	**−5,806**
Earnings before income taxes		**40,305**	**24,764**
Taxes on income	**15**	13,145	7,067
Earnings after income taxes		**27,160**	**17,697**

CHEPLAPHARM Arzneimittel GmbH, Greifswald/Germany

Consolidated statement of other comprehensive income under IFRS

for the period from 1 January to 31 December 2017

	2017	2016
	kEUR	kEUR
Earnings after income taxes (= consolidated net profit)	27,160	17,697
Items that may be reclassified to the income statement:		
Translation differences	−418	104
Other comprehensive income	**−418**	**104**
Total of net profit for the period and other comprehensive income (= total comprehensive income)	**26,742**	**17,801**

CHEPLAPHARM Arzneimittel GmbH, Greifswald/Germany

Consolidated statement of cash flows under IFRS

for the period from 1 January to 31 December 2017

		Note	2017	2016
			kEUR	kEUR
Operating activities				
	Consolidated net profit for the year		27,160	17,697
+/−	Amortization, depreciation and impairments / write-ups of intangible assets and property, plant and equipment		76,459	39,020
+/−	Other non-cash expenses/income		1,039	−23
−/+	Increase/decrease in inventories		−16,096	−7,305
−/+	Increase/decrease in trade receivables		−18,647	−12,870
−/+	Increase/decrease in other assets		−4,371	−226
+/−	Increase/decrease in trade payables		922	7,223
+/−	Increase/decrease in other liabilities		2,181	−346
−/+	Gain on / loss from disposal of intangible assets and property, plant and equipment		−300	0
+/−	Net interest income/expense	**14**	17,686	5,901
−	Net income from investments	**13**	−1,584	−95
+/−	Income tax expense/income	**15**	13,145	7,067
−/+	Income tax paid		−215	−1,973
Cash flow from operating activities			**97,379**	**54,070**
Investing activities				
+	Proceeds from disposals of intangible assets		300	0
−	Acquisition of intangible assets	**16**	−128,104	−224.441
+	Proceeds from disposals of fixed assets		0	12
−	Acquisition of property, plant and equipment	**17**	−724	−635
−	Cash payments from acquisitions less acquired funds		−2,252	−183
−	Acquisition of financial assets		−4,208	0
−	Acquisition of securities		−1,764	−1.228
+	Interest received		46	55
+	Proceeds from disposals of securities and dividends received		1,611	295
Cash flow from investing activities			**−135,095**	**−226,125**

CHEPLAPHARM Arzneimittel GmbH, Greifswald

Consolidated statement of cash flows under IFRS

for the period from 1 January to 31 December 2017

	Note	2017	2016
		kEUR	kEUR
Financing activities			
− Cash payments for repayment of loans raised from related parties		0	−20
+ Cash proceeds from financial debts incurred		178,842	249,199
− Cash payments from repayment of financial debts		−115,138	−55,231
− Interest paid		−17,572	−5,904
Cash flows from financing activities		**46,132**	**188,044**
Net increase in cash funds		**8,416**	**15,989**
Cash funds at the beginning of the period		32,131	16,142
Exchange-rate-related changes in cash funds		−56	0
Cash funds at the end of the period		**40,491**	**32,131**
Components of cash funds			
Bank balances and cash-in-hand	**27**	42,504	33,534
Bank overdraft within the scope of short-term management of financial investments	**33**	−2,013	−1,403
		40,491	**32,131**

CHEPLAPHARM Arzneimittel GmbH, Greifswald/Germany

Consolidated statement of changes in equity under IFRS

as at 31 December 2017

All figures in kEUR	Share capital	Net profit/loss brought forward	Consolidated net profit/loss	Other comprehensive income	Equity
Balance as at 1 Jan. 2016	**25**	**40,617**	**10,248**	**629**	**51,519**
Reclassified		10,248	−10,248		0
Consolidated net profit for the year			17,697		17,697
Translation difference				104	104
Other comprehensive income					**104**
Total comprehensive income					**17,801**
Balance as at 31 Dec. 2016	**25**	**50,865**	**17,697**	**733**	**69,320**
Reclassified		17,697	−17,697		0
Consolidated net profit for the year			27,160		27,160
Translation difference				−418	−418
Other comprehensive income					**−418**
Total comprehensive income					**26,742**
Balance as at 31 Dec. 2017	**25**	**68,562**	**27,160**	**315**	**96,062**
Note	**28**	**29**		**30**	

CHEPLAPHARM Arzneimittel GmbH, Greifswald/Germany

Notes to the consolidated financial statements

for the financial year 2017

1. General notes

CHEPLAPHARM Arzneimittel GmbH with registered office in Greifswald (since 29 October 2018; previously: Mesekenhagen), Ziegelhof 24, Germany, is the parent company of CHEPLAPHARM Group and a limited liability company under German law. The entity has been entered with the number B 5896 in the Commercial Register of the Stralsund/Germany local court.

CHEPLAPHARM Arzneimittel GmbH was established in Freiburg/Germany in 1998 and relocated its registered office to Mesekenhagen/Germany in 2003. The affairs of CHEPLAPHARM have been conducted, and the entity has had its registered office, in the German Hanseatic town of Greifswald since October 2018.

The consolidated financial statements of CHEPLAPHARM Arzneimittel GmbH, Greifswald/ Germany, (hereafter referred to as "CHEPLAPHARM" or "CHEPLAPHARM Group") are prepared for the financial year from 1 January to 31 December 2017 and, besides the notes to the consolidated financial statements, include the group balance sheet and the consolidated statement of changes in equity as at 31 December 2017 as well as the group income statement, the statement of other comprehensive income and the consolidated statement of cash flows for the respective period from 1 January to 31 December 2017.

The consolidated financial statements for the year ended 31 December 2017 are voluntarily prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), taking into account the Interpretations of the International Financial Reporting Interpretations Committee (IFRS IC), as adopted by the European Union (EU), and the additional requirements under Sec. 315e (1) German Commercial Code (HGB)[(1)].

The business activities of CHEPLAPHARM Group mainly consist in worldwide distribution of "specialty pharmaceutics", i.e. branded pharmaceutics, food supplements, medical products and cosmetics. The range of products offered covers prescription drugs for emergency medicine, addiction medicine, sleep medicine, urology, gastroenterology, and haematooncology as well as medicines, care, and medical products freely available at pharmacies.

The business strategy of CHEPLAPHARM Group is based on the acquisition of branded pharmaceuticals and medical products from German and international pharmaceutical companies.

Furthermore, the Group was represented through own staff at the following sites as at 31 December 2017:

- Riems/Germany
- Mesekenhagen/Germany
- Hamburg/Germany
- Steinau an der Straße/Germany
- Levallois-Perret/France
- Englewood, New Jersey/U.S.

The shareholder of CHEPLAPHARM Arzneimittel GmbH is Braun Beteiligungs GmbH, Greifswald/ Germany, entered with the number B 8162 in the Commercial Register of the Stralsund/Germany local court.

Braun Beteiligungs GmbH, Greifswald/Germany, and CHEPLAPHARM Arzneimittel GmbH, Greifswald/Germany, prepare the consolidated financial statements for the biggest and smallest group of consolidated entities, respectively.

(1) With the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) being referred to as IFRS and the Interpretations of the Standards Interpretation Committee (SIC) and the Interpretations of the International Financial Reporting Interpretation Committee (IFRS IC) to as IFRIC.

1. General notes (Continued)

The financial year of CHEPLAPHARM and its subsidiaries is the calendar year. The consolidated financial statements have been prepared in euro. Unless otherwise stated, all amounts are stated in thousands of euros (kEUR). For computational reasons, rounding differences to the exact mathematical values may rise in tables and notes.

The balance sheet has been classified according to maturity; assets and liabilities are classified by non-current—for maturities of more than one year—and current. The nature of expense format has been applied to the income statement.

The consolidated financial statements of CHEPLAPHARM were approved by the managing directors on 17 December 2018.

2. Policies and methods

All IFRSs issued by the IASB and valid at the time the consolidated financial statements on hand were prepared and applied by CHEPLAPHARM were adopted by the European Commission for application in the EU. The consolidated financial statements prepared by CHEPLAPHARM thus comply with the IFRS, as adopted by the EU.

The accounting and valuation methods which we applied are generally consistent with those applied in the prior year, with the following exceptions:

In the reporting year, CHEPLAPHARM applied the new and revised IFRSs and Interpretations listed below. The application of these Standards and Interpretations did not have any impact on the Group's net assets, financial position and results from operations. However, they partly led to additional disclosures.

The detailed presentation is restricted to those Standards and Interpretations which are on principle applicable at the level of CHEPLAPHARM:

Revision of IAS 7—Reconciliation of Liabilities Resulting from Financing Activities

In January 2016, the IASB published the revision of IAS 7 as part of the disclosure initiative of the IASB.

According to this revised Standard, entities are required to make disclosures which enable users of the financial statements to understand both changes of a cash nature and non-cash changes in liabilities which result from financing activities. The changes take effect for reporting years which begin on or after 1 January 2017. Entities applying the revised Standard for the first time are not required to state any comparative information for prior reporting periods. In a reconciliation, the Group presents the variations between the opening and closing balances of the financial liabilities concerned. (See Note 45.)

Revision of IAS 12—Recognition of Deferred Tax Assets for Unrealized Losses

On 19 January 2016, the IASB published the revision of IAS 12. This revision mainly makes it clear that, for assets accounted for at fair value (e.g. fixed-interest debt instruments) whose fiscal values are acquisition costs, unrealized losses lead to deductible temporary differences, irrespective of the future use of the assets. Furthermore, tax deductions related to release of other deductible temporary differences are required to be taken into account in recognizing resulting deferred tax assets when estimating future taxable income. The changes are applicable for financial years beginning on or after 1 January 2017. The revisions do not have any major effects on the Group.

IFRS improvements (2014-2016): Revision of IFRS 12

The IFRS improvements (2014-2016) constitute a joint Standard, which was published in December 2016 and addresses changes to various IFRSs. This Standard revises three IFRSs, of which only the revisions to IFRS 12 are mandatorily applicable for financial years beginning on or after 1 January 2017. IFRS 12 clarifies that the disclosure under IFRS 12 are regularly also applicable to such shares in subsidiaries, joint ventures or associated companies that are classified as held for sale within the meaning of IFRS 5; an

2. Policies and methods (Continued)

exemption are the disclosures under IFRS 12.B10-B16 (Financial Information). This revision does not have any major effects on the consolidated financial statements.

The IASB published the Standards and Interpretations listed below, which have already been implemented into EU law, but had not yet been mandatorily applicable in the financial year 2017. CHEPLAPHARM does not adopt these Standards and Interpretations early. The detailed presentation is restricted to those Standards and Interpretations which might principally be relevant at CHEPLAPHARM Group level in the future.

IFRS 9—Financial Instruments

On 24 July 2014, the IASB published the final Standard IFRS 9 Financial Instruments (IFRS 9 (2014)), which includes the results of all stages of the IFRS 9 project and supersedes both IAS 39 Financial Instruments: Recognition and Measurement and all earlier versions of IFRS 9 Financial Instruments. This Standard includes new regulations on classification and measurement, on impairment and on hedge accounting. IFRS 9 is applicable from the financial year beginning on or after 1 January 2018. Early adoption of the final Standard (IFRS 9 (2014)) is admissible at any time. With the exception of hedge accounting, this Standard is retroactively applicable, but comparative information is not required to be adjusted. The requirements on hedge accounting are generally prospectively applicable with few exceptions.

The Group intends to adopt this new Standard as of the effective date. The requirements on classification and measurement are not expected to have any major effects on the classification and measurement of the Group's financial assets. Loans and trade receivables are held in order to realize the contractual cash flows which solely constitute repayment and interest payments on the outstanding nominal amount. Therefore, the Group anticipates that these will continue to also be measured at amortized cost under IFRS 9. However, the Group will examine in an even more detailed manner the features of the contractually agreed cash flows of these instruments before it is possible to finally assess whether all these financial instruments meet the criteria of measurement at amortized cost under IFRS 9.

Under IFRS 9, the Group is required to measure expected credit losses (ECL) from its notes, credits and trade receivables either on the basis of the 12-month ECL or on the basis of the total term to maturity of the ECL. The Group intends to apply the simplified approach and to recognize the total term to maturity of the ECL from all trade receivables. According to the information previously available, the changed impairment rules will have no major effects on the Group's net assets, financial position and results from operations.

Since the Group does presently not account for hedging relationships, the adoption of IFRS 9 is not expected to have any effects.

IFRS 15—Revenue from Contracts with Customers

IFRS 15 was published on 28 May 2014 and introduces a new model of revenue recognition with five analysis steps, which is applicable to any revenue under contracts with customers. The core principle of this Standard is that an entity is required to recognize revenue, when the time goods or services are transferred to customers, in the amount of the consideration which the entity can reasonably expect to receive for the transfer of these goods or services. The principles under IFRS 15 provide a structured approach for measuring and recognizing revenue. The scope of application of this Standard covers all types of industries and entities and therefore supersedes all existing regulations which relate to the area of revenue recognition (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue—Barter Transactions Involving Advertising Services). Compared to the revenue recognition standards presently applicable, the adoption of this new Standard requires more estimates and judgments because the amount of revenue to be recognized is determined by the amount of the consideration which the entity can reasonably expect to receive for the transfer of the goods or services.

2. Policies and methods (Continued)

Specific challenges may especially arise where a consideration is variable. IFRS 15 is applicable from the financial year beginning on or after 1 January 2018. It is required either to be fully applied retrospectively or to be retrospectively applied in a modified version. Early adoption is admissible.

The Group intends to apply this new Standard as of its official effective date, using the modified retroactive approach. In 2017, the Group examined the potential effects of conversion to IFRS 15 and concluded that the new Standard does not lead to a major change in revenue recognition.

The business activities of CHEPLAPHARM Group mainly consist in distribution of branded pharmaceuticals, food supplements, medical products and cosmetics. Revenue recognition for contracts with customers under which the sale of goods constitutes the sole performance obligation is not expected to change on account of the new Standard. The Group anticipates that revenue is recognized at the time when the power to control assets passes to customers. This is generally the case at the time when goods are delivered. In respect of the accounting for returns and warranties, we do not expect any changes on account of the adoption of IFRS 15.

The contracts on sale of pharmaceuticals often provide for rebates. Presently, the Group recognizes revenue from sale of pharmaceuticals at the fair value of the remuneration received or of the account receivable less returns, price rebates and discounts. If revenue cannot be reliably measured, it is cut off as long as the uncertainty ceases to exist. Under IFRS 15, such contractual arrangements lead to the fact that the remuneration is variable and has to be estimated at the time the contract is concluded. To avoid overstatement of revenues realized, IFRS 15 requires that the variable remuneration has to be limited. In analyzing the effects of IFRS 15, the Group concluded that there will be no material changes in revenue recognition on account of the variable purchase price elements because rebates can normally directly be allocated to specific revenue and be reliably estimated.

Clarifications concerning IFRS 15—Revenue from Contracts with Customers

On 12 April 2016, the International Accounting Standards Board (IASB) published the final clarifications concerning its new Standard on revenue recognition, IFRS 15—Revenue from Contracts with Customers. The related changes clarify implementation issues. These issues relate to the identification of performance obligations, the application guidelines for principal/agent relationships and licenses for intellectual property (IP) as well as transitional provisions. In addition, the purpose of the changes is to ensure a more uniform procedure in implementing IFRS 15 and to reduce the costs and complexity associated with its application. The changes took effect on 1 January 2018. Entities are required to apply these changes retroactively. For details on the effects on the Group, see the statements regarding IFRS 15.

IFRS 16—Leases

On 13 January 2016, the IASB published the new Standard on recognition of leases, which supersedes the previous Standard IAS 17. IFRS 16 defines the principles for recognizing, measuring, presenting and disclosing leases and requires lessees to recognize all leases according to a single model similar to accounting for finance leases under IAS 17. For lessees, this Standard provides that the right to use the leased asset and a corresponding leasing liability mandatorily have to be recognized for most leases. However, for lessors there are only minor changes in comparison with the classification of, and accounting for, leases under IAS 17. Under IFRS 16, both lessees and lessors are required to provide expanded disclosures in the notes to the financial statements. IFRS 16 is applicable from financial years beginning on or after 1 January 2019. Early adoption is admissible, is, however, only permitted if the entity also applies IFRS 15. Lessees applying this new Standard for the first time are permitted to either choose full retrospective recognition or modified retrospective recognition. The transitional provisions under IFRS 16 concede certain transitional reduced disclosure requirements.

The Group intends to adopt this new Standard as of its official effective date. For the material leases under IFRS 16 which have previously not already been treated as finance leases, see the statements in Note 19 regarding payment obligations for operating leases.

2. Policies and methods (Continued)

IFRIC 22—Foreign Currency Transactions and Advance Consideration

On 8 December 2016, the IASB published IFRIC 22. This Interpretation covers transactions in foreign currency if an entity recognizes a non-monetary asset or a non-monetary liability which arises from an advance payment or advance receipt of a consideration before the entity recognizes the related asset, income or expense. The time of the transaction for the purposes of determining the exchange rate is the initial recognition of the non-monetary asset arising from the advance payment or of the non-monetary liability arising from deferred income. If there are several advance payments or receipts, a transaction time is determined for every payment and every receipt. This Interpretation is not applicable if an entity measures the related asset, income or expense at fair value at the time of initial recognition or at the fair value of the consideration received or paid at a time other than the time of initial recognition of the non-monetary asset or of the non-monetary liability. Furthermore, the Interpretation is not required to be applied to income taxes, insurance contracts and pension liability insurance contracts. IFRIC 22 is applicable to financial years beginning on or after 1 January 2018. Earlier adoption is permitted. This Interpretation is not expected to have any major effects on the Group.

IFRIC 23—Uncertainty over Income Tax Treatments

This Interpretation contains a clarification as to how the probability/uncertainty in accounting for uncertain tax assets is to be taken into account. The previous rules under IAS 12 had contained a related loophole according to which every tax balance sheet item is uncertain until a final assessment is available. IFRIC 23 is applicable for taxable profits or tax losses, fiscal assessment bases, tax losses to be used, tax credits to be used and tax rates if their measurement under IAS 12 involves uncertainty over income tax treatment. The basic assumption is that a fiscal authority is both entitled to, and is aware of, any relevant information. IFRIC 23 is applicable to financial years beginning on or after 1 January 2019. Earlier adoption is permitted. This Interpretation is not expected to have any major effects on the Group.

The new regulations listed below are not applicable to the Group and will therefore not impact on the Group's net assets, financial position and results from operations:

- IFRS improvements (2014-2016): Revision of IFRS 1 and IAS 28,
- Revision of IAS 40—Transfer of Investment Property,
- Revision of IFRS 2: Classification and Measurement of Share-based Payment Agreements,
- Revisions of IFRS 4: Application of IFRS 9—Financial Instruments together with IFRS 4—Insurance Contracts,
- Revision of IFRS 9—Prepayment Rules with Negative Compensation Payment.

The IASB published the Standards and Interpretations listed below which had yet not been mandatorily applicable in the financial year 2017. These Standards and Interpretations have not been recognized by the EU to date and are not applied by CHEPLAPHARM Group. The detailed presentation is restricted to those Standards and Interpretations which might on principle be applicable at CHEPLAPHARM Group level in the future:

IFRS improvements (2015-2017)

These IFRS improvements (2015-2017) constitute a joint Standard, which was published in December 2017 and addresses changes to various IFRSs which are applicable for financial years beginning on or after 1 January 2019. These IFRS improvements include the following revisions:

- IFRS 3: Clarification that an entity getting control over a joint activity is required to remeasure its previously held equity shares.
- IFRS 11: Clarification that an entity getting joint control over a joint activity does not remeasure its previously held equity shares.

2. Policies and methods (Continued)

- IAS 12: Clarification that the income tax consequences of dividends are rather related to the original transactions which led to distributable profits. Therefore, an entity recognized the income tax consequences of dividend payments, depending on the underlying transaction, either in profit or loss, in other comprehensive income or in equity.
- IAS 23: Clarification that an entity is required to include existing residual external capital which had specifically been raised for procuring an asset in determining the weighted average of all borrowing costs from the time when basically all activities performed for getting this asset ready for its intended use or sale have been completed.

The Group intends to adopt this revision Standard as of its official effective date. This joint Standard is not expected to have any major effects on the Group's net assets, financial position and results from operations.

The new regulations listed below are not applicable to the Group and will therefore not impact on the Group's net assets, financial position and results from operations:

- Revision of IAS 19—Plan Changes, Curtailments or Settlements,
- Revision of IAS 28—Non-current Investments in Associates and Joint Ventures,
- IFRS 17—Insurance Contracts.

The requirements of all Standards and Interpretations applied were fully met and lead to conveyance of a true and fair view of CHEPLAPHARM Group's net assets, financial position and results from operations. There was no deviation from these Standards on account of overriding principles.

3. Consolidation methods

The subject of the consolidated financial statements are CHEPLAPHARM Arzneimittel GmbH (hereafter referred to as "CHEPLAPHARM") and its subsidiaries. All subsidiaries which are legally controlled by CHEPLAPHARM are regularly included in the consolidated financial statements.

Subsidiaries acquired are accounted for according to the purchase method. The cost of the acquisition corresponds to the fair value of the assets given up, of the equity instruments issued and of the liabilities incurred or assumed at the time of the transaction. At the time of initial consolidation, assets, liabilities, and contingent liabilities identifiable as part of a business combination are measured at fair value at the time of transaction, irrespective of the scope of minority interest.

The excess of the cost of the acquisition over the Group's interest in the net assets acquired and measured at fair value is recognized as goodwill.

If the costs of the acquisition are lower than the subsidiary's net assets acquired and measured at fair value, the difference is directly recognized in the income statement.

The effects of intragroup transactions are eliminated. Assets and liabilities between consolidated entities are offset against each other. Unrealized profits or losses on intragroup transactions are eliminated. Intragroup income is eliminated against corresponding expenses. Appropriate taxes on temporary differences arising on consolidation are deferred in accordance with IAS 12.

4. Currency translation of foreign subsidies' sets of financial statements

Glenwood LLC, Englewood, New Jersey/U.S., is the only consolidated subsidiary that has its registered office outside the eurozone. The annual financial statements of this entity are translated into euro according to the functional currency concept. The functional currency of Glenwood LLC is the U.S. dollar (USD) because all major trade relationships are based on this entity's local currency.

4. Currency translation of foreign subsidies' sets of financial statements (Continued)

Assets and liabilities are translated using the rates in effect at the reporting date, the income statements are translated at annual average rates, from the functional into the reporting currency EUR. Resulting translation differences are recognized in other comprehensive income.

The EUR/USD rate at the reporting date is 0.8338 EUR/USD as at 31 December 2017 (prior year: 0.9487 EUR/USD). The average rate for the year 2017 is 0.8852 EUR/USD (prior year: 0.8790 EUR/USD).

In the statement of movements in fixed assets, the balance at the beginning of the consolidation and at the end of the financial year is translated using the respective rate in effect at the reporting date and the other items are translated at average rates. A difference arising from exchange rate changes is disclosed as a translation difference in a separate column both under cost and under accumulated amortization, depreciation and write-downs.

5. Entities included in consolidation

All entities which are controlled by CHEPLAPHARM (subsidiaries) are included in the consolidated financial statements.

CHEPLAPHARM achieves control when it has the power over the investee, is exposed, or has right to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

CHEPLAPHARM performs a re-assessment as to whether or not it controls an investee if there are facts and circumstances which indicate that one or several of the three criteria of control referred to above have changed.

An entity is consolidated from the time CHEPLAPHARM is able to control this entity. If this ability ceases to exist, the entity concerned retires from the group of consolidated entities.

Besides CHEPLAPHARM as the parent company, the group of entities included in the consolidation as at 31 December 2017 comprises 7 (prior year: 6) domestic and 2 (prior year: 2) foreign subsidiaries which are controlled by CHEPLAPHARM on account of the majority of voting rights.

5. Entities included in consolidation (Continued)

Further details on the subsidiaries included in the consolidated financial statements as at the reporting date are provided below:

Name and registered office of entity	Primary activity	Interest held as at 31 Dec. 2017	Capital as at 31 Dec. 2016
Walter Ritter GmbH & Co. KG, Hamburg/Germany	"Specialty pharmaceutics" distribution	100.00%	100.00%
W. R. Pharmaceuticals Vertriebs-GmbH, Hamburg/Germany	No significant activity	100.00%	100.00%
Glenwood Verwaltung II UG, Mesekenhagen/Germany	Holding company	100.00%	100.00%
Glenwood LLC, Englewood, New Jersey/U.S.	"Specialty pharmaceutics" distribution	100.00%	100.00%
Cheplapharm France SAS, Levallois Perret/France	"Specialty pharmaceutics" distribution	100.00%	100.00%
Sanavita Pharmaceuticals GmbH, Hamburg/Germany	"Specialty pharmaceutics" distribution	100.00%	100.00%
RubiePharm Vertriebs GmbH, Steinau an der Straße/Germany	No significant activity	100.00%	100.00%
RubiePharm Arzneimittel GmbH, Steinau an der Straße/Germany	"Specialty pharmaceutics" distribution	100.00%	100.00%
Helm Medical GmbH, Hamburg/ Germany	"Specialty pharmaceutics" distribution	100.00%	0.00%

Changes in the group of entities included in the consolidation

As of 22 December 2017, CHEPLAPHARM Group acquired a 100% share in Helm Medical GmbH, Hamburg/Germany, for further expansion purposes. This acquired company has been included in the consolidated financial statements since the time of its acquisition.

This had no major impact on results from operations in 2017.

Had Helm Medical GmbH already initially been included in the consolidated financial statements as of 1 January 2017, it would have realized revenue of kEUR 11,292 and earnings after income taxes of kEUR 1,061 in the period from 1 January to 31 December 2017, after taking into account consolidation effects.

5. Entities included in consolidation (Continued)

The following table shows the fair values of the identifiable assets and liabilities of the subsidiaries as at the time of acquisition:

	kEUR
Total purchase price	**4,250**
Total purchase price	**4,250**
Fair value of net assets acquired	
Property, plant and equipment acquired	12
Inventories acquired	741
Trade receivables acquired	2,400
Other assets acquired	373
Cash and cash equivalents acquired	1,998
Deferred tax liabilities acquired	−11
Financial liabilities acquired	−646
Trade payables acquired	−760
Liabilities to affiliated companies acquired	−623
Other debts acquired	−1,027
Total fair value of net assets acquired	**2,457**
Difference = goodwill	**1,793**
Reconciliation total purchase price to cash outflow	
Total purchase price	4,250
Cash existing at the level of entity acquired	−1,998
Transaction-related cash outflow	**2,252**

The fair value of trade receivables and other assets acquired and of other assets corresponds to the respective gross amounts of the assets. Material losses of contractual cash flows are not anticipated.

The goodwill, which, in terms of content, reflects the anticipated synergy effects from the acquisition of the entity, is disclosed under intangible assets in the balance sheet. The goodwill is not tax-deductible.

The purchase price allocation used for the determination of goodwill in the amount of kEUR 1,793 which was allocated to cash-generating units or groups of cash-generating units is provisional.

The purchase price allocation of the companies RubiePharm Arzneimittel GmbH and RubiePharm Vertriebs GmbH, both Steinau an der Straße/Germany, which had been acquired as of 30 September 2016, was completed in the reporting year. The goodwill of kEUR 875 resulting from this transaction was allocated to the contract manufacturing cash-generating unit, which is identical to the company RubiePharm Arzneimittel GmbH. There were no further changes in the purchase price allocation.

6. Accounting and measurement methods

The sets of individual financial statements of the entities included in the consolidation are prepared according to uniform accounting and measurement principles. The values recognized in the consolidated financial statements are solely determined by the economic presentation of the net assets, financial position and results from operations within the scope of the provisions of the IASB.

Income and expense recognition

Revenue is regularly recognized at the time performance is rendered or risks pass to customers.

After acquiring drug licenses, CHEPLAPHARM often enters into a so-called "transition service and supply agreement" (TSA) with the seller, under which the interim period in respect of product distribution. The seller sells the drugs in its own name on the account of CHEPLAPHARM until the necessary

6. Accounting and measurement methods (Continued)

marketing authorizations for CHEPLAPHARM are available. CHEPLAPHARM is not permitted to sell the drugs in its own name until the corresponding conditions under drug law are met. Until these conditions are met, the inventories continue to be accounted for at the level of the seller because the seller bears all risks in respect of the inventories. Only after the conditions under drug law have been met are the inventories billed and transferred to CHEPLAPHARM. In the period between the acquisition of the drug license and the acquisition of the inventories, CHEPLAPHARM receives from the seller of the license the gross profit (revenue of the seller less its sales input = net value) from the sale of the drugs. CHEPLAPHARM makes out corresponding invoices to the seller. These invoices are recognized as revenue in the amount of the net value (net of cash discounts and rebates).

Operating expenses are expensed at the time the service is received or at the time of its origination.

Interest income and interest expenses are recognized by means of the effective interest method.

Dividends are realized at the time the claim arises.

Intangible assets

Intangible assets acquired for a consideration are capitalized at cost if it is probable that the use of the asset is related to a future economic benefit and the costs of the asset can be reliably determined. Borrowing costs are regularly capitalized only if they relate to the acquisition or production of a qualified asset.

The assets are amortized on a straight-line basis over their estimated useful life of 2 to 15 years. Impairment losses are taken into account.

The underlying useful lives correspond to the useful lives expected at group level. The appropriateness of the useful lives and the carrying amount are reviewed at annual intervals. Necessary changes in estimates are proactively taken into account.

Goodwill is not amortized, but tested for impairment at annual intervals. Reference is made to the following statements regarding impairment and to Note 16.

An intangible asset is required to be derecognized if no further economic benefit is anticipated from its use or its disposal any more. The gain on, or loss from, derecognition of an intangible asset is recognized in the income statement at the time the asset is derecognized.

Property, plant and equipment

Property, plant and equipment are measured at cost less wear-related deprecation and write-downs which are made on a case-by-case basis.

Production costs include all allocable costs as well as appropriate portions of production-related overheads. Borrowing costs are capitalized only if they relate to acquisition or production of a qualified asset.

Elements of property, plant and equipment with a limited useful life are depreciated on a straight-line basis over the estimated economic life unless another depreciation method is appropriate in exceptional cases on account of the actual pattern of benefits provided.

The underlying useful lives correspond to the useful lives expected at group level. The appropriateness of the useful lives and the carrying amount are examined at annual intervals. Necessary changes in estimates are prospectively taken into account.

6. Accounting and measurement methods (Continued)

The assets are depreciated over the following useful lives:

Designation	Useful life in years
Buildings	17 to 33
Technical equipment and machinery	5 to 11
Office and operating equipment	1 to 13

Impairment of non-current non-financial assets

The recoverability of assets is examined in accordance with IAS 36 if there are events indicating, or indications of, an impairment. Write-downs are made if the future realizable amount of an asset is lower than its carrying amount. The amount realizable from an asset corresponds to the higher of fair value less costs to sell and present value of the future cash flows attributable to the asset (value in use). If it is impossible to allocate to specific assets own future cash inflows which are generated independently of other assets, their recoverability has to be tested on the basis of the next higher aggregated cash-generating unit of assets. If the reasons for an impairment cease to exist, corresponding write-ups are made (except for goodwill).

Leases

In accordance with IAS 17, the beneficial ownership of leased assets is attributed to the lessee if the lessee essentially bears all risks, and seizes all opportunities, arising from the leased asset which are related to ownership. If beneficial ownership is attributable to CHEPLAPHARM Group, it is capitalized at the lower of the present value of the lease rentals plus incidental costs possibly to be borne by the lessee and the fair value of the leased asset at the time when the lessee is entitled to exercise its right to use the leased asset. The corresponding leasing liability, which is measured according to the effective interest method subsequent to initial recognition, is recognized at an equivalent amount. The leasing payments are classified by interest expenses and repayment of the leasing obligation in such a way that constant payment of interest on the remaining liability is achieved. Interest expenses are expensed as incurred.

The amortization methods and useful lives of capitalized leasing assets correspond to those of comparable assets acquired.

Rental income and rental expenses under operating leases are recognized on a straight-line basis over the term of the corresponding agreements.

Non-current non-derivative financial assets

Non-current non-derivative financial assets are capitalized at fair value, which corresponds to cost, at the date of settlement, i.e. at the time assets originate or are transferred.

For the purposes of measurement as at the reporting date subsequent to initial recognition, financial assets are classified by loans and receivables extended by the entity, by assets held-to-maturity and available-for-sale financial assets. The classification depends on the purpose which the respective instrument was acquired for.

Subsequent to initial recognition, loans and receivables extended and held-to-maturity financial instruments are measured at amortized cost as at every reporting date. However, available-for-sale assets are recognized at fair value as at the reporting dates subsequent to initial recognition, with changes in the value of instruments held for trading being charged or credited in the income statement.

Available-for-sale financial assets are recognized at fair value as at the reporting date if this value can be reliably determined. Fluctuations in the value between the reporting dates are allocated to reserves without profit or loss impact. The reserves are released through the income statement either at the time of disposal or if the fair value sustainably decreases below the carrying amount.

6. Accounting and measurement methods (Continued)

Allowances with profit or loss impact are made on extended loans and receivables to the extent that the amount realizable as at the reporting date decreases below the carrying amount.

Derivative financial instruments

CHEPLAPHARM regularly uses derivative financial instruments for hedging against interest rate risks.

In accordance with the provisions of IAS 39, derivative financial instruments are regularly recognized at fair value (without taking into account incidental costs) in the balance sheet and accounted for at fair value accordingly as at the reporting date thereafter.

Changes in the fair value of derivative financial instruments are directly recognized in the net profit or loss for the period. Positive and negative fair values are disclosed on the asset and on the liability sides, respectively, taking into account deferred taxes. There is no hedging.

Derecognition of financial assets

A financial asset (or a part of a financial asset or a part of a group of similar financial assets) is derecognized (i.e. removed from the group balance sheet) if one of the following requirements is met:

- The contractual rights in respect of cash flows from a financial asset have expired, or
- the Group has transferred its contractual rights in respect of cash flows from a financial asset to third parties.

Income taxes

In accordance with IAS 12, deferred taxes are recognized for temporary differences between the individual entities' tax balance sheet values and the values recognized in the consolidated financial statements. Tax loss carryforwards which are likely to be realizable in the future are capitalized in the amount of the deferred tax asset.

Asset-side deferred taxes are eliminated against liability-side deferred taxes if they belong to the same taxable entity and this taxable entity is entitled to offset current tax assets against tax liabilities and they relate to income taxes which are levied by the same fiscal authority.

The deferred tax rates ranged from 13.3% to 16.4% (prior year: from 13.3% to 16.4%) for German municipal trade tax and were at 15.8% (prior year: 15.8%) for German corporate income tax and the solidarity surcharge. There are no deferred taxes at the level of the two foreign subsidiaries.

Current income taxes have been disclosed as income tax liabilities to the extent that they have not yet been paid over. If the income tax amounts already paid exceed the amounts owed, the differences have been recognized as income tax assets.

Current assets

Current assets include inventories, current non-derivative financial assets as well as current non-financial assets.

Inventories

The item inventories comprises raw materials, consumables and supplies, work in progress and finished goods and merchandise as well as prepayments.

Inventories are recognized at cost. As at the reporting date, they are measured at the lower of cost and net realizable value.

The net realizable value corresponds to the sales revenue realizable in course of the ordinary business less directly allocable costs to sell.

6. Accounting and measurement methods (Continued)

Besides directly allocable costs, cost also includes appropriate portions of indirect material and production overheads at normal utilization of the production facilities concerned to the extent that these are incurred in connection with the production process. Costs of company pension plans, for social facilities of the business and voluntary social benefits of the entity as well as general and administrative expenses are also taken into account to the extent that these relate to the area of production. Finance costs are not included in cost.

Current non-derivative financial assets

Current non-derivative financial assets classified as current assets comprise receivables, securities as well as bank balances and cash-in-hand.

All current financial assets are initially recognized at fair value, which, for non-derivative financial instruments, corresponds to acquisition cost, at the date of settlement, i.e. at the time the account receivable originates or beneficial ownership is transferred. The acquisition cost of monetary receivables bearing minor or no interest corresponds to their present value at the time of origination.

Subsequent to initial recognition, current financial assets are measured depending on the categorization analogous to non-current financial assets.

—Receivables

Receivables are initially recognized at fair value and according to the amortized cost method subsequent to initial recognition, using the effective interest method and taking into account any impairment losses.

If there are doubts as to the recoverability of receivables, these are recognized at the lower realizable amount by making a corresponding specific allowance.

Receivables denominated in foreign currency are measured at the middle rate at the reporting date.

—Securities

Securities are recognized at market value.

—Bank balances and cash-in-hand

Cash has been recognized at nominal amount. Foreign currency balances have been measured at the middle rate at the reporting date.

Current non-financial assets

Current non-financial assets primarily relate to tax assets as well as to other non-contractual claims and prepaid expenses.

Current non-financial assets are recognized at cost. Subsequent to initial recognition, they are measured at amortized cost, taking into account appropriate allowances.

Liabilities

Liabilities comprise financial liabilities and other non-financial liabilities.

Non-derivative financial liabilities

Non-derivative financial liabilities are initially recognized at fair value less transaction costs. Subsequent to initial recognition, these are accounted for at amortized cost. For non-current credits, any difference between the amount paid out (after deducting transaction cost) and the amount to be repaid is recognized in the income statement according to the effective interest rate method over the term of the credit.

6. Accounting and measurement methods (Continued)

Non-derivative financial liabilities denominated in foreign currency are measured at the middle rate at the reporting date. Changes in value on account of currency effects are recognized with profit or loss impact.

Other non-financial liabilities

Other non-financial liabilities which are not based on contractual commitments and the direct or indirect subject of which is the exchange of cash are disclosed under the item other liabilities unless these are tax liabilities.

Non-financial liabilities are initially recognized at the amount which corresponds to the anticipated outflow of resources. Subsequent to initial recognition, changes in value which result from new findings are charged or credited in the income statement. The amount required to be recognized is the amount of the best possible estimate which is necessary for settling the liability as at the reporting date.

Liabilities denominated in foreign currency are measured at the middle rate at the reporting date.

Material judgments and estimates

In applying the accounting and valuation methods, Management made the following judgments and estimates which impact on the amount and the disclosure of recognized assets and liabilities, of income and expenses, and of contingent liabilities:

—Measurement of intangible assets (see Note 16)

In acquiring drug licenses, CHEPLAPHARM determines the useful life of these intangible assets according to criteria such as market share, possible market entry of potential competitors, legal and country risks as well as revenue and sales budgeted for the respective medicine. Judgments are generally made in determining the useful life.

—Goodwill (see Note 16)

The impairment test of goodwill is based on forward-looking assumptions. These tests are performed by CHEPLAPHARM annually and additionally on occasions which indicate that goodwill might have been impaired. The determination of the value in use of the cash-generating unit includes definitions and estimates in respect of the forecast and discounting of future cash flows. Although Management anticipates that the assumptions underlying the calculation of the realizable amount are appropriate, potential unforeseeable changes in these assumptions, for instance a reduction in EBITDA margins, a rise in capital costs or decrease in the long-term growth rate, lead to an impairment loss which could sustainably influence the net assets, financial position and results from operations.

Estimates are based on empirical data and other assumptions which are deemed to be appropriate under the given circumstances. They are continuously verified, but may deviate from actual values.

Further explanations concerning assumptions and estimates made are provided in the statements regarding the individual items of the financial statements. All assumptions and estimates are based on circumstances and assessments at the reporting date. Furthermore, in assessing the future business development, the economic environment in the industries and regions CHEPLAPHARM Group operates in which was supposed to be realistic at this time has been taken into account. At the time the consolidated financial statements were prepared, the underlying assumptions and estimates were not expected to change significantly.

Notes to the group income statement

7. Revenue

Revenue can be analyzed as follows:

	2017	2016
	kEUR	kEUR
Revenue non-EU country	135,688	62,255
Revenue EU	87,068	54,362
Revenue Germany	19,539	17,179
Other revenue	0	16
Sales deductions	−5,452	−1,277
	236,843	**132,535**

The sales revenues relate to sale of pharmaceutics, food supplements, medical products, and cosmetics.

8. Other operating income

The other operating income includes the following positions:

	2017	2016
	kEUR	kEUR
Net gain on disposal of intangible assets	300	0
Income from derecognized liabilities	71	0
Recharges	406	7
Income of prior periods	41	45
Insurance damages	30	14
Value added tax refunds	0	63
Sundry	36	38
	884	**167**

9. Cost of materials

Cost of materials can be analyzed as follows:

	2017	2016
	kEUR	kEUR
Procurement of goods and contract manufacturing	74,571	41,550
Services provided by third parties	638	196
Freight costs	153	135
Other	269	19
	75,631	**41,900**

10. Staff costs

Staff costs are classified as follows:

	2017	2016
	kEUR	kEUR
Wages and salaries	8,612	5,478
Social security costs	1,564	927
Other staff costs	366	231
	10,542	**6,636**

The employer's contributions to legal pension insurance funds in the financial year 2017 amount to kEUR 469 (prior year: kEUR 414).

11. Amortization, depreciation and impairments

An analysis of amortization, depreciation and impairments is as follows:

	2017	2016
	kEUR	kEUR
Amortization and impairments of intangible assets	76,136	38,731
Depreciation on property, plant and equipment	323	289
	76,459	**39,020**

For further details, see Notes 16 and 17 to intangible assets and property, plant and equipment, respectively.

12. Other operating expenses

Other operating expenses relate to the following positions:

	2017	2016
	kEUR	kEUR
Distribution and delivery costs	16,051	8,038
Cost of drug safety, licenses and quality assurance	4,499	2,602
Net exchange gain	1,530	148
Sundry	7,439	3,788
	29,519	**14,576**

13. Net income from investments

This item shows the dividend income from securities classified as current assets.

14. Net interest expense

Net interest expense can be analyzed as follows:

	2017	2016
	kEUR	kEUR
Interest income	**46**	**55**
Interest expenses		
Interest paid on bank loans	16,517	4,829
Interest paid on loans granted by related parties	1,054	1,052
Loss on derivative financial instruments	160	52
Tax interest	1	23
	17,732	**5,956**
	−17,686	**−5,901**

For details on interest expenses, reference is made to Notes 20, 31, 32, and 33 to loans granted by related parties, mezzanine capital and financial liabilities as well as financial instruments.

15. Income taxes

Income taxes can be analyzed as follows:

	2017	2016
	kEUR	kEUR
Deferred taxes	8,199	6,240
Corporate income tax current year	2,222	765
Corporate income tax prior years	23	−534
Municipal trade tax current year	2,691	915
Municipal trade tax prior years	0	−294
Foreign income tax	10	−25
	13,145	**7,067**

The following table shows a reconciliation from the expected to the current tax expense disclosed. To determine the expected tax expense, earnings before income taxes are multiplied by a tax rate of 30.7% (prior year: 30.7%), which includes a tax rate of 15.8% (prior year: 15.8%) for corporate income tax and the solidarity surcharge and of 14.9% (prior year: 14.9%) for municipal trade tax.

	2017	2016
	kEUR	kEUR
Earnings before income taxes	40,305	24,764
Tax determined using the national income tax rate	12,374	7,603
Deviation local tax rates	−13	−145
Nontaxable profits	−461	0
Expenses not tax-deductible	749	387
Tax interest carryforwards which no deferred tax asset was capitalized for	466	57
Tax expenses and income for prior periods	23	−829
Sundry differences	7	−6
Income taxes of the period	**13,145**	**7,067**

15. Income taxes (Continued)

As at the respective reporting dates, deferred taxes are attributable to the following balance sheet items:

	31 Dec. 2017 Assets	31 Dec. 2017 Liabilities
	kEUR	kEUR
Intangible assets	0	32,365
Receivables	0	458
Derivative financial instruments	0	−68
Securities	0	171
Liabilities	0	33
Loss carryforwards	0	−10
Other	0	3
	0	**32,952**

	31 Dec. 2016 Assets	31 Dec. 2016 Liabilities
	kEUR	kEUR
Intangible assets	0	24,492
Receivables	−14	249
Derivative financial instruments	0	−19
Securities	0	85
Liabilities	−12	19
Loss carryforwards	112	0
Other	0	2
	86	**24,828**

In the prior year, the deferred taxes on loss carryforwards capitalized had related to corporate income tax and municipal trade tax loss carryforwards of Sanavita Pharmaceuticals GmbH.

Besides the loss carryforwards which have been taken into account in capitalizing deferred taxes, there were corporate income and trade tax loss carryforwards at the level of RubiePharm Arzneimittel GmbH at a respective amount of kEUR 830 (prior year: kEUR 808) and at the level of Sanavita GmbH at a respective amount of kEUR 1,251 (prior year: kEUR 0) as of December 31, 2017. The related deferred taxes totaling kEUR 635 (prior year: kEUR 235) were not capitalized on account of these Companies' loss history.

Asset- and liability-side deferred taxes are eliminated against each other if they belong to the same taxable entity and this taxable entity is authorized to eliminate current tax assets against tax liabilities.

Notes to the group balance sheet

Assets

Fixed assets

16. Intangible assets

	Drug licenses and trademarks	EDP software	Goodwill	Prepayments made for intangible assets	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
Cost					
Balance 1 Jan. 2017	**427,041**	**329**	**875**	**942**	**429,187**
Exchange differences	−412	0	0	0	**−412**
Additions from acquisitions	0	0	1,793	0	**1,793**
Additions	127,706	195	0	203	**128,104**
Disposals	−875	0	0	0	**−875**
Reclassifications	13	276	0	−289	**0**
Balance 31 Dec. 2017	**553,473**	**800**	**2,668**	**856**	**557,797**
Amortization and impairments					
Balance 1 Jan. 2017	**98,344**	**175**	**0**	**0**	**98,519**
Exchange differences	−104	0	0	0	**−104**
Additions(*)	76,037	99	0	0	**76,136**
Disposals	−874	0	0	0	**−874**
Balance 31 Dec. 2017	**173,403**	**274**	**0**	**0**	**173,677**
Carrying amount 31 Dec. 2017	**380,070**	**526**	**2,668**	**856**	**384,120**
Carrying amount 31 Dec. 2016	**328,697**	**154**	**875**	**942**	**330,668**

(*) Of which **impairments**: kEUR 0

	Drug licenses and trademarks	EDP software	Goodwill	Prepayments made for intangible assets	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
Cost					
Balance 1 Jan. 2016	**202,674**	**251**	**0**	**788**	**203,713**
Exchange differences	107	0	0	0	**107**
Additions from acquisitions	51	0	875	0	**926**
Additions	224,209	41	0	191	**224,441**
Reclassifications	0	37	0	−37	**0**
Balance 31 Dec. 2016	**427,041**	**329**	**875**	**942**	**429,187**
Amortization and impairments					
Balance 1 Jan. 2016	**59,601**	**153**	**0**	**0**	**59,754**
Exchange differences	34	0	0	0	**34**
Additions(*)	38,709	22	0	0	**38,731**
Balance 31 Dec. 2016	**98,344**	**175**	**0**	**0**	**98,519**
Carrying amount 31 Dec. 2016	**328,697**	**154**	**875**	**942**	**330,668**
Carrying amount 31 Dec. 2015	**143,073**	**98**	**0**	**788**	**143,959**

(*) Of which **impairments**: kEUR 4,786

16. Intangible assets (Continued)

Goodwill of kEUR 875 relates to the acquisition of two companies RubiePharm Arzneimittel GmbH and RubiePharm Vertriebs GmbH and to goodwill of kEUR 1,793 resulting from the acquisition of Helm Medical GmbH as of 22 December 2017 (see Note 5).

The goodwill of kEUR 875 arising on acquisition of the two companies RubiePharm Arzneimittel GmbH and RubiePharm Vertriebs GmbH was allocated to the contract manufacturing cash-generating unit, which is identical to the company RubiePharm Arzneimittel GmbH.

As at 31 December 2017, the goodwill of Helm Medical GmbH had not yet finally fully been allocated to the cash-generating units or groups of cash-generating units. Therefore, the purchase price allocation (see Note 5) is provisional.

In the reporting year, goodwill was tested for impairment in accordance with IAS 36.

As part of this impairment test, the goodwill arising on acquisition of the two companies RubiePharm Arzneimittel GmbH and RubiePharm Vertriebs GmbH was based on the present value of the future net cash inflows because there is no market price.

The value in use determined for the cash-generating unit which includes the goodwill of the RubiePharm companies significantly exceeded the carrying amount of the cash-generating unit. An increase in the discount factor by 1.0 percentage points would also not lead to an impairment requirement as at 31 December 2017.

The value in use was determined by means of budget figures for a 2-year period, using a pretax discount rate of 8.07% and a growth factor after the detailed planning period of 1.00% p.a. The discount factor was developed by means of market data. Weighted capital costs (WACC, Weighted Average Cost of Capital) are calculated according to the capital asset pricing model (CAPM). The growth factor corresponds to the expected long-term average inflation rate.

The impairment test for the goodwill resulting from the acquisition of Helm Medical GmbH was based on fair value less costs to sell. Since this entity was acquired as of 22 December 2017 as part of a market transaction, the determination of the fair value less costs to sell was based on the market price of the acquisition transaction.

With the exception of goodwill, intangible assets generally have a limited useful life and are therefore amortized over the useful life.

17. Property, plant and equipment

	Land and buildings	Technical equipment and machinery	Office and operating equipment	Assets under construction and payments made on account	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
Cost					
Balance 1 Jan. 2017	**3,615**	**189**	**1,179**	**17**	**5,000**
Additions	168	99	425	32	**724**
Disposals	0	0	−1	0	**−1**
Balance 31 Dec. 2017	**3,783**	**288**	**1,612**	**49**	**5,732**
Depreciation					
Balance 1 Jan. 2017	**213**	**74**	**781**	**0**	**1,068**
Additions	105	27	191	0	**323**
Disposals	0	0	−1	0	**−1**
Balance 31 Dec. 2017	**318**	**101**	**968**	**0**	**1,387**
Carrying amount 31 Dec. 2017	**3,465**	**187**	**644**	**49**	**4,345**
Carrying amount 31 Dec. 2016	**3,402**	**115**	**398**	**17**	**3,932**

	Land and buildings	Technical equipment and machinery	Office and operating equipment	Assets under construction and payments made on account	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
Cost					
Balance 1 Jan. 2016	**3,196**	**110**	**936**	**29**	**4,271**
Exchange differences	0	0	1	0	**1**
Additions from acquisitions	0	66	47	0	**113**
Additions	393	19	206	17	**635**
Disposals	0	−6	−14	0	**−20**
Reclassifications	26	0	3	−29	**0**
Balance 31 Dec. 2016	**3,615**	**189**	**1,179**	**17**	**5,000**
Depreciation and write-downs					
Balance 1 Jan. 2016	**116**	**45**	**625**	**0**	**786**
Exchange differences	0	0	1	0	**1**
Additions	97	29	163	0	**289**
Disposals	0	0	−8	0	**−8**
Balance 31 Dec. 2016	**213**	**74**	**781**	**0**	**1,068**
Carrying amount 31 Dec. 2016	**3,402**	**115**	**398**	**17**	**3,932**
Carrying amount 31 Dec. 2015	**3,080**	**65**	**311**	**29**	**3,485**

18. Other financial assets

	31 Dec. 2017	31 Dec. 2016
	kEUR	kEUR
Clearum GmbH, Poggendorf/Germany	4,202	0
Med-Tec Holding GmbH, Poggendorf/Germany	6	0
	4,208	**0**

18. Other financial assets (Continued)

Company	Interest	Equity	Earnings after taxes
	%	kEUR	kEUR
Med-Tec Holding GmbH, Poggendorf/ Germany	24.9%	(1)	(1)
Clearum GmbH, Poggendorf/Germany	24.9%	−2,873(2)	−939(2)

(1) No annual financial statements available.

(2) Preliminary figures for the financial year 2017.

CHEPLAPHARM has no significant influence on the investments. The carrying amounts largely correspond to fair value.

19. Leased assets

The rental agreements and leases existing at the level of CHEPLAPHARM Group relate to business premises, the vehicle fleet and other assets (mainly SAP software and machinery). The corresponding leases are classified as **operating leases** because basically all risks and opportunities related to ownership remain with the lessor. There are no purchase options at the end of the lease terms, except for the leases concerning machinery. The rental agreements do not provide for price adjustment clauses or extension options.

The leasing payments are expensed on a straight-line basis in the income statement over the periods.

The future rental and leasing payments for the next few years can be analyzed as follows:

	2017			2016		
Future rental and leasing payments	Business premises	Vehicle fleet	Other	Business premises	Vehicle fleet	Other
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
In a period of up to one year	302	76	115	50	51	130
In a period of more than one year and up to five years	679	59	217	3	81	376
In a period of more than five years	0	0	0	0	0	0
	981	**135**	**332**	**53**	**132**	**506**

The rental agreements on business premises have residual terms of up to 2 years or have been concluded for an indefinite term. The leases for the vehicle fleet have terms of 3 to 4 years. As to other assets, the lease on SAP software has a term of 6 years; the leases on machinery have terms of 4 to 5 years.

The total expenses under all rental agreements and leases amounted to kEUR 570 in the reporting year (prior year: kEUR 482).

20. Derivative financial instruments

	31 Dec. 2017			31 Dec. 2016		
	Nominal amount	Derivatives with positive fair value	Derivatives with negative fair value	Nominal amount	Derivatives with positive fair value	Derivatives with negative fair value
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Interest rate swaps	38,002	0	131	38,002	0	149
Caps	138,938	68	159	145,050	204	119
Currency options	0	0	0	2,358	22	0
	176,940	68	290	185,410	226	268
Of which non-current		68	290		204	268
Of which current		0	0		22	0

20. Derivative financial instruments (Continued)

The derivative financial instruments disclosed under other non-current assets, and under other current assets total kEUR 68 (prior year: kEUR 204), and kEUR 0 (prior year: kEUR 22), respectively.

The derivative financial instruments solely relate to interest- and currency-related transactions as well as to OTC products, i.e. products which are not traded on a stock exchange.

Derivative financial instruments have been measured at the fair market value determined. This value is based on internal risk models which are determined according to recognized mathematical methods. The method applied for this purpose is the discounted cash flow method, where future cash flows are estimated on the basis of forward exchange rates (rates observable at the reporting date) and contracted forward exchange rates and discounted using an interest rate which takes into account the various counterparties' credit risk.

The carrying amounts of the derivatives correspond to fair market values.

21. Other non-current assets

Other non-current assets can be analyzed as follows:

	31 Dec. 2017	31 Dec. 2016
	kEUR	kEUR
Non-financial assets		
Prepaid expenses	0	160
	0	**160**
Financial assets		
Derivative financial instruments	68	204
	68	**204**
	68	**364**

The prior-year prepaid expenses had related to prepayments for the use of a database.

For derivative financial instruments, reference is made to Note 20.

22. Inventories

Inventories can be analyzed as follows:

	31 Dec. 2017	31 Dec. 2016
	kEUR	kEUR
Raw materials, consumables and supplies	15,747	238
Work in progress, finished goods and merchandise	21,183	20,046
Prepayments	211	20
	37,141	**20,304**

23. Trade receivables

Trade receivables can be analyzed as follows:

	31 Dec. 2017	31 Dec. 2016
	kEUR	kEUR
Gross receivables	53,657	32,487
Allowances	−1,318	−68
	52,339	**32,419**

23. Trade receivables (Continued)

The entity continuously assesses the credit standing of its customers and normally requests no collaterals. The entity made allowances for potential loss of receivables outstanding. Such losses of receivables corresponded to Management's estimates and assumptions and are within the normal scope of the business.

The following table shows the changes in allowances on trade receivables:

	2017	2016
	kEUR	kEUR
Allowances made on 1 Jan.	68	59
Addition through acquisition	0	31
Utilization	−1	−22
Additions during reporting period (allowance expense)	1,251	0
Allowances made on 31 Dec.	**1,318**	**68**

Allowances on trade receivables are normally recognized in allowance accounts. The decision as to whether a default risk is initially taken into account by means of an allowance account or directly taken into account by reducing the account receivable depends on the degree of probability of a loss of an account receivable outstanding. If receivables are classified as irrecoverable, the corresponding impaired asset is derecognized.

The following table shows the ageing of the trade receivables:

		Of which: neither impaired nor overdue as at reporting date	Of which: not impaired as at reporting date and overdue since the following periods					
kEUR	Gross receivables		Less than 30 days	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 120 days	More than 120 days	Of which: impaired
Trade receivables as at 31 Dec. 2017	53,657	37,285	6,200	6,190	715	21	1,885	1,361
Trade receivables as at 31 Dec. 2016	32,487	22,149	5,330	58	1,071	752	3,059	68

24. Current income tax assets

	31 Dec. 2017	31 Dec. 2016
	kEUR	kEUR
Corporate income tax	105	194
Municipal trade tax	151	68
	256	**262**

25. Other current assets

An analysis of other current assets is as follows:

	31 Dec. 2017	31 Dec. 2016
	kEUR	kEUR
Non-financial assets		
Other tax assets	3,327	923
Payments made on account	404	0
Prepaid expenses	252	239
	3,983	**1,162**
Financial assets		
Other loans	1,916	67
Due from staff	202	1
Loan granted to Mr Sebastian Braun	153	150
Current derivative financial instruments	0	22
Sundry	45	9
	2,316	**249**
	6,299	**1,411**

The other tax assets mainly relate to value added tax.

The other loans predominantly relate to companies of the pharmaceutical industry.

For the composition of derivative financial instruments in the prior year, reference is made to Note 20.

Like in the prior year, the other financial assets are not overdue. There are no indications of potential defaults.

26. Securities

Securities classified as current assets relate to funds and to listed shares. In the reporting year, securities were sold and acquired in several transactions. The net income/loss from securities is disclosed under the item "net income from investments" in the group income statement.

27. Bank balances and cash-in-hand

This item can be analyzed as follows:

	31 Dec. 2017	31 Dec. 2016
	kEUR	kEUR
Cash at bank	42,494	33,504
Cash-in-hand	10	30
	42,504	**33,534**

Cash held at banks do not accrue interest as they are available on demand.

Notes to the group balance sheet
Equity and liabilities

28. Share capital

The share capital of EUR 25,000.00 corresponds to the share capital of CHEPLAPHARM Arzneimittel GmbH.

29. Net profit brought forward

The variation in the net profit brought forward in the reporting year was as follows:

	2017	2016
	kEUR	kEUR
Balance 1 Jan.	50,865	40,617
Consolidated net profit for the year 2016/2015	17,697	10,248
Balance 31 Dec.	**68,562**	**50,865**

30. Other comprehensive income

The other comprehensive income includes the currency translation differences arising without profit or loss impact in translating the individual financial statements of Glenwood LLC from the functional currency USD into the reporting currency.

31. Loans granted by related parties

Loans granted by related parties can be analyzed as follows:

	31 Dec. 2017	31 Dec. 2016
	kEUR	kEUR
Braun Hanse Holding GmbH	20,000	20,000
Norbert Braun	16,008	15,974
Sebastian Braun	599	570
Balance 31 Dec.	**36,607**	**36,544**

There are subordination and non-call agreements for the loans referred to above.

32. Mezzanine loan note

On 5 April 2016, a financing package was signed for financing the acquisition of the drugs Xenical and Dilatrend. The three financing modules contain a **mezzanine loan note** of mEUR 65 with a term of 6 years, note loans **("senior loans")** in several tranches with terms of 3.5 and 5.5 years and a total volume of mEUR 95 and a new tranche within the syndicated bank financing of mEUR 160 plus mEUR 10 short-term operating financing.

On 15 September 2016, a junior note loan agreement (**mezzanine loan note**) was concluded with Rantum Capital GmbH & Co. Private Debt Fund I KG, Frankfurt am Main/Germany, and Proventus Capital Partners III KB, Stockholm/Sweden, on a fixed-interest loan of up to mEUR 65. The carrying amount of the liability as at 31 December 2017 amounted to kEUR 63,426 (31 December 2016: kEUR 40,679).

33. Other financial liabilities

Sundry financial liabilities can be analyzed as follows:

	31 Dec. 2017		31 Dec. 2016	
	non-current	current	non-current	current
	kEUR	kEUR	kEUR	kEUR
Bank loans	90,855	97,391	103,210	43,119
Note loans	95,000	0	95,000	0
Transaction costs	−2,663	−1,080	−3,045	−1,016
Overdraft facilities	0	2,013	0	1,403
	183,192	**98,324**	**195,165**	**43,506**

33. Other financial liabilities (Continued)

CHEPLAPHARM's bank financing mainly comprises two different instruments.

Until and including 2014, CHEPLAPHARM's corporate financing via bilateral amortizing loans with various banks had been project-related. The residual financial liabilities as at the reporting date 31 December 2017 total kEUR 674 (31 December 2016: kEUR 8,092). The collaterals furnished for the remaining financial liabilities from bilateral amortizing loans are pledged trademarks and licenses of the drugs Vesanoid and Rohypnol acquired through the transaction (carrying amount as at 31 Dec. 2017: kEUR 34,054; carrying amount as at 31 Dec. 2016: kEUR 40,565), Mr Sebastian Braun's subordination, a profit retention and equity maintenance agreement including Mr Sebastian Braun's collateral purpose agreement, and Mr Norbert Braun's loan maintenance and subordination agreement.

On 28 January 2015, a new, also project-related instrument in the form of the syndicated loan agreement was established within the bank financing. On 30 June 2017, the syndicated loan dated 28 January 2015 was increased by mEUR 47.5 to a total principal of mEUR 329.44 under the 4th supplement. All seven tranches have a respective term of 20 quarters and a corresponding straight-line repayment profile. The new tranche A7 has a term until 30 September 2022 and will be paid out on 2 January 2018. This tranche accrues interest at a variable rate. In addition, the syndicated loan agreement provides for a working capital line of credit of up to mEUR 5 in the form of an overdraft facility.

On 28 November 2017, bilateral interim financing totaling mEUR 100 was agreed with Deutsche Bank. The purpose of this interim financing is to partly repay the syndicated financing and to acquire further licenses in January 2018. The interim financing includes an amount of mEUR 50 which was issued in the form of notes. The amount is paid out in two partial amounts. The first partial amount of mEUR 50 was paid out on 29 December 2017. The second partial amount will be paid out on 3 January 2018. The term is 9 months plus a 3-month extension option. The interest rate is 1-month EURIBOR plus 2.25% p.a.

The syndicated loan agreement provides for compliance with financial covenants and, in the event of non-compliance with these financial covenants, the lenders are granted an extraordinary right to give notice of termination. Compliance with the financial covenants is continuously monitored and controlled by Management within the framework of the budget planning and by means of actual data and is regularly reported to the lending banks. In the financial year 2017 and in the prior year, the entity fully complied with the relevant financial covenants. Based on the budget planning adopted, CHEPLAPHARM Group anticipates that these will also be complied with in 2018 and beyond.

The financial liabilities within the syndicated loan have been collateralized through a loan maintenance and subordination agreement including collateral purpose agreement of Mr Sebastian Braun, of Mr Norbert Braun, of Braun Beteiligungs GmbH, and of Braun Hanse Holding GmbH, as well as through a profit retention and equity maintenance agreement.

To hedge against the interest rate risk, CHEPLAPHARM Group performed interest rate cap and interest rate swap transactions with selected syndicated banks for a nominal amount of mEUR 176.9 as at 31 December 2017 (mEUR 185.4 as at 31 December 2016) with different terms. For details, reference is made to Note 20.

34. Deferred tax liabilities

For an analysis of deferred tax liabilities see Note 15.

35. Other non-current financial liabilities

Non-current other liabilities solely include non-current derivative financial instruments. For further details, reference is made to Note 20.

36. Trade payables

Trade payables include:

	31 Dec. 2017	31 Dec. 2016
	kEUR	kEUR
Liabilities Germany	5,377	3,026
Liabilities other EU countries	4,746	6,142
Liabilities non-EU countries	4,241	3,538
	14,364	**12,706**

37. Liabilities to affiliated companies

Liabilities to affiliated companies disclose financial liabilities to Braun Beteiligungs GmbH.

38. Current income tax liabilities

Current income tax liabilities can be analyzed as follows:

	31 Dec. 2017	31 Dec. 2016
	kEUR	kEUR
Municipal trade tax	3,512	879
Corporate income tax	2,217	279
	5,729	**1,158**

39. Current other liabilities

	31 Dec. 2017	31 Dec. 2016
	kEUR	kEUR
Non-financial liabilities		
Payments received on account	2,914	0
Deferred	454	418
Other tax liabilities	203	320
Social security liabilities	56	33
Sundry	3	4
	3,630	**775**
Financial liabilities		
Liability RubiePharm purchase price	141	141
Accrued financial statements preparation and audit costs	106	64
Deferred	220	20
Due to staff	39	3
Sundry	20	38
	526	**266**
	4,156	**1,041**

The RubiePharm purchase price liability concerns the residual liability to the seller related to the acquisition of the shares in RubiePharm Arzneimittel GmbH and in RubiePharm Vertriebs GmbH.

40. Supplementary notes to financial instruments

Carrying amounts, values recognized and fair values by measurement categories

In respect of the categorization of financial instruments, CHEPLAPHARM applied the measurement categories under IAS 39.

The following tables show the carrying amounts and fair values of each category of financial assets and liabilities as at 31 December 2017 and as at 31 December 2016:

			Value recognized in balance sheet under IAS 39				
Figures in kEUR	**Measurement category**	**Carrying amount 31 Dec. 2017**	**Amortized cost**	**Cost**	**Fair value with P&L impact**	**Fair value w/o P&L impact**	**Fair value 31 Dec. 2017**
Financial assets							
Financial investments	**AfS**	4,208	4,208		0	0	4,208
Trade receivables	**LaR**	52,339	52,339	0	0	0	52,339
Receivables from affiliated companies	**LaR**	0	0	0	0	0	0
Other financial assets							
Derivative financial instruments	**FAHfT**	68	0		68	0	68
Other	**LaR**	2,720	2,720		0	0	2,720
Securities	**AfS**	4,574	0		0	4,574	4,574
Bank balances and cash-in-hand	**LaR**	42,504	42,504	0	0	0	42,504
Total financial assets		**106,413**	**101,771**	**0**	**68**	**4,574**	**106,413**
Financial liabilities							
Loans granted by related parties	**FLaC**	36,607	36,607	0	0	0	36,607
Mezzanine loan notes	**FLaC**	63,426	63,426	0	0	0	63,426
Sundry financial debts	**FLaC**	281,516	281,516	0	0	0	281,516
Trade payables	**FLaC**	14,364	14,364	0	0	0	14,364
Liabilities to affiliated companies	**FLaC**	752	752	0	0	0	752
Other financial liabilities							
Derivative financial instruments	**FLHfT**	290	0	0	290	0	290
Other	**FLaC**	526	526	0	0	0	526
Total financial liabilities		**397,481**	**397,191**	**0**	**290**	**0**	**397,481**
Aggregated according to measurement categories under IAS 39:							
Loans and receivables (LaR)		97,563	97,563	0	0	0	97,563
Available for sale (AfS)		8,782	4,208	0	0	4,574	8,782
Financial liabilities at cost (FLaC)		397,191	397,191	0	0	0	397,191
Financial assets held for trading (FAHfT)		68	0	0	68	0	68
Financial liabilities held for trading (FLHfT)		290	0	0	290	0	290

40. Supplementary notes to financial instruments (Continued)

Figures in kEUR	Measurement category	Carrying amount 31 Dec. 2016	Value recognized in balance sheet under IAS 39			Fair value 31 Dec. 2016
			Amortized cost	Fair value with P&L impact	Fair value w/o P&L impact	
Financial assets						
Trade receivables	**LaR**	32,419	32,419	0	0	32,419
Receivables from affiliated companies	**LaR**	127	127	0	0	127
Other financial assets						
Derivative financial instruments	**FAHfT**	226	0	226	0	226
Other	**LaR**	227	227	0	0	227
Securities	**AfS**	2,836	0	0	2,836	2,836
Bank balances and cash-in-hand	**LaR**	33,534	33,534	0	0	33,534
Total financial assets		**69,369**	**66,307**	**226**	**2,836**	**69,369**
Financial liabilities						
Loans granted by related parties	**FLaC**	36,544	36,544	0	0	36,544
Mezzanine loan notes	**FLaC**	40,679	40,679	0	0	40,679
Sundry financial debts	**FLaC**	238,671	238,671	0	0	238,671
Trade payables	**FLaC**	12,706	12,706	0	0	12,706
Liabilities to affiliated companies	**FLaC**	728	728	0	0	728
Other financial liabilities						
Derivative financial instruments	**FLHfT**	268	0	268	0	268
Other	**FLaC**	266	266	0	0	266
Total financial liabilities		**329,862**	**329,594**	**268**	**0**	**329,862**
Aggregated according to measurement categories under IAS 39:						
Loans and receivables (LaR)		66,307	66,307	0	0	66,307
Available for sale (AfS)		2,836	0	0	2,836	2,836
Financial liabilities at cost (FLaC)		329,594	329,594	0	0	329,594
Financial assets held for trading (FAHfT)		226	0	226	0	226
Financial liabilities held for trading (FLHfT)		268	0	268	0	268

Determination of fair value

The carrying amount of non-current financial instruments corresponds to fair value.

The carrying amount of financial instruments such as assets and liabilities corresponds to fair value on account of the current maturities of these financial instruments. The carrying amount of financial liabilities largely corresponds to fair value because these predominantly bear interest at variable rates.

The entity monitors the variations in fixed- and variable-interest liabilities as well as in non-current and current liabilities. Related business and other finance risks are verified.

The Group uses the following hierarchy for determining and disclosing fair values of financial instruments for each measurement procedure:

Level 1: Quoted (unadjusted) prices in active markets for similar assets or liabilities,

Level 2: Procedures where all input parameters which have a material influence on the fair value recognized are either directly or indirectly observable,

Level 3: Procedures using input parameters which have a material influence on the fair value recognized and are not based on an observable market data.

40. Supplementary notes to financial instruments (Continued)

As at 31 December 2017, derivatives (see Note 20) and securities (see Note 26) were measured at fair value at the level of CHEPLAPHARM Group. The fair values of derivatives are derived from observable market data and are thus attributable to hierarchy level 2. Securities are measured at market price and are thus attributable to hierarchy level 1.

Both in the reporting year and in the prior year, no instruments were reclassified between these three levels.

Notes to the income statement

The following table shows the net gains or losses from financial instruments taken into account in the income statement:

	2017	2016
	kEUR	kEUR
Financial assets and liabilities held for trading (FAHfT/FLHfT)	−160	−52
Loans and receivables (LaR)	−1,205	55
Available for sale (AfS)	1,584	95
Financial liabilities at cost (FLaC)	−17,571	−5,881
	−17,352	**−5,783**

The net losses allocable to the category "financial assets and liabilities held for trading" result from derivative financial instruments accounted for and relate to fair value changes.

The net gains of the category "loans and receivables" include interest income. In CHEPLAPHARM's consolidated financial statements, income from allowances attributable to the category "loans and receivables" is disclosed under other operating income and expenses related to receivables written down are disclosed under other operating expenses.

The net gains attributable to the category "available for sale" include income from securities which is disclosed under net income from investments.

The net losses attributable to the category "financial liabilities at cost" result from interest paid on financial liabilities.

Interest from financial instruments is disclosed under interest result (see Note 14).

41. Financial risk management and financial derivatives

General notes to risk management

CHEPLAPHARM combines the measures for managing risks which exist at the level of the entity in a risk management system. The basic instruments of CHEPLAPHARM's risk management are regular reporting, forecast, planning and strategy processes. The system provides for regular identification and assessment of new and known risks through responsible staff. In addition, the corporate functions of CHEPLAPHARM Group report on financial and operative developments on a monthly basis. Through these measures, Management is informed at regular intervals and at an early stage about the risk position and can take appropriate measures for risk mitigation and avoidance or prevention.

In respect of its assets, liabilities, planned transactions and existing obligations, CHEPLAPHARM is especially exposed to credit risks, default risks, cash risks as well risks from changing interest rates. The goal of financial risk management is to mitigate these market risks through current operative and finance-orientated activities. According to Management's assessment, there is no risk concentration. By means of the measures referred to above, it is regularly examined whether risk clusters develop.

41. Financial risk management and financial derivatives (Continued)

Fundamental finance policies are determined by Management at annual intervals. Management is responsible for implementing, and controlling during the year, the financial policies as well as current risk management.

Credit risk

The liquid funds mainly contain cash and cash equivalents. In connection with the investment of liquid funds, the Group is exposed to losses resulting from credit risks if financial institutions fail to meet their obligations.

Trade receivables arise from ordinary business activities and predominantly relate to solvent small to medium-sized entities. Uncollected receivables are nevertheless continuously monitored; furthermore, the Group has established an active dunning system. Default risks are covered by making specific allowances. The maximum default risk is reflected by the carrying amounts of the financial assets recognized in the balance sheet.

Liquidity risk

The liquidity risk of CHEPLAPHARM Group consists in the fact that the entity is possibly unable to meet its financial obligations, for instance repayment of financial liabilities, payment of purchase commitments, and obligations under leases. To avoid a realization of this risk and to ensure that the Group is at any time able to pay and flexible in financial terms, a cash reserve in the form of cash and credit lines is provided. In addition, the Group's liquidity is continuously monitored by means of liquidity forecasts. As at 31 December 2017, the undrawn current credit lines available to the Group amounted to kEUR 6,225 (prior year: kEUR 6,275).

The (non-discounted) repayments and interest payments resulting from financial liabilities during the next few years are as follows:

kEUR	Carrying amount	2017	2018	2019	2020	2021	2022/ beyond 2021	Beyond 2022
As at 31 Dec. 2017								
Loans granted by related parties	36,607	N/A	1,050	1,050	1,050	1,050	1,050	37,657
Mezzanine loan notes	63,426	N/A	5,980	5,980	5,980	4,485	65,000	0
Financial liabilities	281,516	N/A	107,951	52,712	97,696	14,192	35,344	1,248
Trade payables	14,364	N/A	14,364	0	0	0	0	0
Liabilities to affiliated companies	752	N/A	752	0	0	0	0	0
Other financial liabilities	815	N/A	525	0	36	123	131	0
As at 31 Dec. 2016								
Loans granted by related parties	36,544	1,050	1,050	1,050	1,050	1,050	37,594	N/A
Mezzanine loan notes	40,679	3,773	3,773	3,773	3,773	3,773	45,698	N/A
Financial liabilities	238,671	50,441	39,927	39,005	84,641	12,871	34,326	N/A
Trade payables	12,706	12,706	0	0	0	0	0	N/A
Liabilities to affiliated companies	728	728	0	0	0	0	0	N/A
Other financial liabilities	535	267	0	0	119	0	149	N/A

Interest payable on variable-interest financial liabilities was computed using current interest rates as at the reporting date.

The payment rows for liabilities related to mezzanine capital and financial debts reflect the respective contractual situation as at the reporting dates stated. In 2018 (subsequent event; see also Note 47), there was a comprehensive refinancing, which led to premature redemption of liabilities, resulting, in July 2018, in cash outflows of kEUR 515,282, which are matched by cash inflows of kEUR 540,000.

41. Financial risk management and financial derivatives (Continued)

Financial market risks

CHEPLAPHARM is generally exposed to market price risks resulting from changes in exchange rates and interest rates. These may result in negative effects on the Group's net assets, financial position and results from operations.

The major transactions of CHEPLAPHARM Group are performed in the eurozone. For the entity in the U.S., the functional currency is the USD. Consequently, there are currency risks between the USD and the EUR. Since the entities in the U.S. predominantly perform their activities in their functional currency, the exchange risk of the Group from its normal operating activities is deemed to be insignificant.

Besides, there are transactions in foreign currencies which manly result from the Group's operating activities, namely from transactions in CHF, USD, and GBP. Management regularly monitors the potential currency risks and, if necessary, takes active hedging measures in order to minimize risks. The resulting residual currency risk is generally deemed by Management to be insignificant on account of the low volumes of the corresponding assets and liabilities.

The interest rate risk of the Group primarily results from financial liabilities which accrue variable interest on the basis of the EURIBOR. The Group is exposed to these interest rate risks in the eurozone.

Had the market interest rate level as at 31 December 2017 been 50 base points higher, earnings would have been kEUR 1,179 (31 December 2016: kEUR 380) lower. This hypothetical effect on earnings is due to the potential effects of variable-interest liabilities. Due to lack of measurement of financial instruments without profit and loss impact, there are no direct effects on consolidated equity beyond this earnings effect. The increase in the amount in comparison with the prior year is due to the fact that new financial debts were raised.

As at 31 December 2017 (as well as in 2016), there was, in the entity's opinion, no significant other price risk.

42. Capital management

The main objective of CHEPLAPHARM Group's capital management is to secure the ability to repay debts and to pay interest and to maintain the financial resources in the future.

The Group manages its capital structure and makes adjustments, taking into account overall economic conditions. As at 31 December 2017, the goals, guidelines and procedures remained unchanged. The goal is to appropriately adapt the capital structure to the business risk.

CHEPLAPHARM is subject to statutory capital requirements for limited liability companies. Compliance with these requirements is continuously monitored. In the reporting period, these requirements were met.

The capital managed by the Group is the economic equity and this capital is monitored by means of the debt-equity ratio, which corresponds to the ratio of net debt to economic equity as well as of the total amount of net debt and equity ratio. Net debt comprise current and non-current financial liabilities less liquid funds. In addition to equity, the economic equity includes the loans granted by related parties, which are disclosed under non-current liabilities, and the mezzanine loan notes.

	2017	2016
	kEUR	kEUR
Balance sheet total	535,854	425,943
Equity ratio	36.6%	34.4%
Economic equity	196,095	146,543

For details on the refinancing in 2018, reference is made to the disclosures in Notes 4 and 47.

Other notes

43. Other financial commitments

Other financial commitments

Other financial commitments as at 31 December 2017 totaled kEUR 14,946 (prior year: kEUR 28,465) and predominantly related to open accounts payable to suppliers for inventories. Furthermore, there were financial commitments of kEUR 194,597 as at 31 December 2017 (prior year: kEUR 128,000) which relate to investment contracts concluded. The predominant part of other financial commitments are due within one year.

44. Related party disclosures

Under IAS 24, there are disclosure requirements in respect of related parties.

Related parties are the managing directors, their relatives, as well as the shareholder Braun Beteiligungs GmbH and its shareholders.

For details on open receivables from, and liabilities to, related parties as at the reporting date, reference is made to the explanations in Notes 25, 31, and 37. The loans granted to or by related parties accrue interest at arm's-length interest rates.

There are not further material transactions with related parties.

45. Notes to the cash flow statement

The variations in the Group's financial position are presented in the statement of cash flows. Cash funds include the balance sheet item "bank balances and cash-in-hand" as well as parts of current financial liabilities. An analysis of cash funds is presented in the cash flow statement.

The following table shows a reconciliation between opening and closing balance sheet figures for liabilities from financing activities.

	31 Dec. 2016	Cash effective		Non-cash effective		31 Dec. 2017
		Repaid	Raised	Interest	Other	
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Loans granted by related parties	36,544	0	0	63	0	36,607
Mezzanine loan note	40,679	0	22,425	322	0	63,426
Bank loans	146,329	−115,139	157,056	0	0	188,246
Note loans	95,000	0	0	0	0	95,000
Transaction costs	−4,061	0	−639	957	0	−3,743
Overdraft facilities	1,403	−156	120	0	646	2,013
	238,671	−115,295	156,537	957	646	281,516
	315,894	**−115,295**	**178,962**	**1,342**	**646**	**381,549**

46. Distributions to shareholders

In the financial year 2017 (2016), no distributions were made to the shareholders of CHEPLAPHARM.

47. Post-balance-sheet-date events

Under an agreement dated 6 July 2018, the existing financing structure comprising a syndicated loan, senior note loans, and mezzanine capital (totaling kEUR 494,859) was redeemed, and replaced by a bullet maturity term loan B and a revolving credit line totaling mEUR 530 and mEUR 310, respectively, on 12 July 2018. The terms are 7 and 6 years, respectively. The interest rates are EURIBOR plus 4.5% p.a. and 3.25% p.a., respectively. The redemption of the mezzanine capital leads to an early repayment indemnity of mEUR 20.

During the period after the reporting date and until the consolidated financial statements were prepared, there were no further major events which require special reporting.

Special notes under Sec. 315e German Commercial Code (HGB)

48. Number of employees

The number of people employed on the average in the financial year 2017 was 199 (prior year: 140). Like in the prior year, the workforce solely includes salaried employees.

49. Managing directors

In the financial year 2017, the members of Management were as follows:

- Mr Sebastian Braun, Neuenkirchen/Germany, CEO,
- Ms Bianca Juha, Greifswald/Germany, CSO,
- Ms Edeltraud Lafer, Graz/Austria, COO (since 26 January 2017),
- Mr Jens Rothstein, Rostock/Germany, CFO (since 4 May 2018).

50. Remuneration paid to Management

The total emoluments paid to Management in the reporting period amount to kEUR 604 (prior year: kEUR 500).

51. Fees paid to the auditors of the financial statements

The total fees expensed for the auditors of the financial statements for the reporting year amount to kEUR 71 (prior year: kEUR 50). These fees fully relate to audit services.

52. List of shareholdings

The direct and indirect subsidiaries of CHEPLAPHARM are shown in the following list of shareholdings:

Name and registered office of entity	Capital share 31 Dec. 2017
Walter Ritter GmbH & Co. KG, Hamburg/Germany	100.00%
W. R. Pharmaceuticals Vertriebs-GmbH, Hamburg/Germany	100.00%
Glenwood Verwaltung II UG, Mesekenhagen/Germany	100.00%
Glenwood LLC, Englewood, New Jersey/U.S.	100.00%
Cheplapharm France SAS, Levallois Perret/France	100.00%
Sanavita Pharmaceuticals GmbH, Hamburg/Germany	100.00%
RubiePharm Vertriebs GmbH, Steinau an der Straße/Germany	100.00%
RubiePharm Arzneimittel GmbH, Steinau an der Straße/Germany	100.00%
Helm Medical GmbH, Hamburg/Germany	100.00%

52. List of shareholdings (Continued)

Greifswald/Germany, 17 December 2018

CHEPLAPHARM Arzneimittel GmbH

Sebastian Braun Bianca Juha Edeltraud Lafer Jens Rothstein

The following independent auditor's report (*Bestätigungsvermerk*) has been issued in accordance with Section 322 German Commercial Code (*Handelsgesetzbuch*) in German language on the German version of the consolidated financial statements and the group management report (*Konzernlagebericht*) of Cheplapharm Arzneimittel GmbH as of and for the financial year ended December 31, 2017. The group management report is neither included nor incorporated by reference in this Offering Memorandum.

Auditors' report

We have audited the consolidated financial statements, comprising the balance sheet, income statement, statement of other comprehensive income, cash flow statement, statement of changes in equity and notes to the financial statements, and the group management report of CHEPLAPHARM Arzneimittel GmbH, Greifswald/Germany, for the financial year from 1 January to 31 December 2017. The preparation of the consolidated financial statements and the group management report in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) German Commercial Code (HGB) are the responsibility of the Parent's Management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with German principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a sample basis within the framework of the audit. The audit includes assessing the financial statements of the consolidated entities, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of CHEPLAPHARM Arzneimittel GmbH, Greifswald/Germany, comply with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) German Commercial Code (HGB) and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting. The group management report is consistent with the consolidated financial statements, complies with the legal requirements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hannover/Germany, 8 February 2019

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed: Engelhardt Wirtschaftsprüfer [German Public Auditor]	Signed: Schelling Wirtschaftsprüfer [German Public Auditor]

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