

## IMPORTANT NOTICE

THE 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 "**SECURITIES ACT**"), OR (2) OUTSIDE THE UNITED STATES PURCHASING THE NOTES DESCRIBED IN THIS PRELIMINARY OFFERING MEMORANDUM (THE "**NOTES**") IN OFFSHORE TRANSACTIONS (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATIONS S**")) IN COMPLIANCE WITH REGULATION S (AND, (A) IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (THE "**EEA**") OR THE UNITED KINGDOM, NOT RETAIL INVESTORS (AS DEFINED BELOW FOR EACH OF THE EEA AND THE UNITED KINGDOM SEPARATELY) AND (B) ONLY TO INVESTORS IN CANADA WHO ARE LOCATED AND/OR RESIDENT IN ONE OF THE PROVINCES OF CANADA (AND IN THOSE PROVINCES ONLY TO PURCHASERS THAT QUALIFY BOTH AS AN "ACCREDITED INVESTOR" AND A "PERMITTED CLIENT" UNDER APPLICABLE CANADIAN SECURITIES LAWS).

**IMPORTANT:** You must read the following before continuing. The following applies to the Preliminary Offering Memorandum following this notice, whether received by e-mail or otherwise received as a result of electronic communication. You are therefore advised to read this carefully before reading, accessing or making any other use of the attached Preliminary Offering Memorandum. In accessing the Preliminary Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them, each time you receive any information from us as a result of such access. The Preliminary Offering Memorandum has been prepared in connection with the proposed offering and sale of the securities described therein (the "**Offering**"). The Preliminary Offering Memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER 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 SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS OF OTHER JURISDICTIONS.

THE FOLLOWING PRELIMINARY OFFERING MEMORANDUM WILL BE ACCESSIBLE IN ELECTRONIC FORMAT AND MAY NOT BE PUBLISHED, FORWARDED, DISTRIBUTED OR OTHERWISE MADE AVAILABLE IN WHOLE OR IN PART TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. YOU ACKNOWLEDGE THAT YOU RECEIVED THE PRELIMINARY OFFERING MEMORANDUM IN A FORM THAT 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 PRELIMINARY OFFERING MEMORANDUM, IN WHOLE OR IN PART, IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THE PRELIMINARY OFFERING MEMORANDUM CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED TO, AND WILL NOT BE ABLE TO, PURCHASE ANY OF THE NOTES.

**Confirmation of your representation.** In order to be eligible to view the Preliminary Offering Memorandum or make an investment decision with respect to the Notes described in the Preliminary Offering Memorandum, either you or any customers you represent must be either (1) QIBs or (2) purchasing the securities outside the United States in offshore transactions in reliance on Regulation S and investing in the Notes outside the United States in offshore transactions in reliance on Regulation S; *provided* that investors resident in a member state of the European Economic Area or in the United Kingdom must not be retail investors (as defined below for each of the EEA and the United Kingdom separately). The Preliminary Offering Memorandum is being sent at your request. By accepting this e-mail or other electronic transmission and by accessing the Preliminary Offering Memorandum, you shall be deemed to have represented to us and each of the initial purchasers set forth in this Preliminary

Offering Memorandum (collectively, the "**Initial Purchasers**"), that:

(1) you acknowledge that you are, and consent to, receiving such Preliminary Offering Memorandum by electronic transmission;

(2) either you or any customers you represent are:

(a) QIBs; or

(b) purchasing the securities outside the United States in offshore transactions in reliance on Regulation S; and

(3) if you are resident in a member state of the EEA or in the United Kingdom, you are a person other than a retail investor (as defined below for each of the EEA and the United Kingdom separately); and

(4) if you are located and/or resident in a province of Canada, you are both an "accredited investor", as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and a "permitted client", as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

Prospective investors 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 Securities Act pursuant to Rule 144A.

You are reminded that the attached Preliminary Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the Preliminary Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the Preliminary Offering Memorandum to any other person. You may not transmit the attached Preliminary Offering Memorandum (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person, except with the consent of the Initial Purchasers. If you receive this document by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

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 Issuer in such jurisdiction. Under no circumstances shall the Preliminary 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 attached document is being furnished in connection with an offering exempt from registration under the Securities Act. Nothing in this electronic transmission constitutes an offer of securities for sale in the United States or any other jurisdiction. Recipients of the attached Preliminary Offering Memorandum who intend to subscribe for or purchase securities are reminded that any subscription or purchase may only be made on the basis of the information contained in the final version of the offering memorandum (the "**Offering Memorandum**"). Any securities to be issued will not be registered under the Securities Act or the securities laws of any other jurisdiction and may not be offered or sold within the United States unless registered under the Securities Act or pursuant to an exemption from such registration.

The Notes are intended to be offered, sold or otherwise made available to and should be offered, sold or otherwise made available only to qualified investors in the EEA within the meaning of Regulation (EU) 2017/1129 (the "**EU Prospectus Regulation**"). In member states of the EEA, this Preliminary Offering Memorandum is directed only at persons who are "qualified investors" within the meaning of the EU Prospectus Regulation. This Preliminary Offering Memorandum must not be acted on or relied on in any member state of the EEA by persons who are not qualified investors. Any investment or investment activity to which this Preliminary Offering Memorandum relates is available only to qualified investors in any member state of the EEA.

The Notes are intended to be offered, sold or otherwise made available to and should be offered, sold or otherwise made available only to qualified investors in the United Kingdom within the meaning of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") (the "**UK Prospectus Regulation**"). In the United Kingdom, this Preliminary Offering Memorandum is directed only at persons who are "qualified investors" within the meaning of the UK Prospectus Regulation. In addition, in the United Kingdom this Preliminary Offering Memorandum is only being distributed to and is only directed at "qualified investors" within the meaning of the UK Prospectus Regulation who (i) are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) of the United Kingdom (as amended, the "**Order**"), (ii) are persons who are high net worth entities falling within Article 49(2)(a) to (d) of the Order or (iii) who 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 of the United Kingdom) (as amended, the "**FSMA**") in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**Relevant Persons**"). The Preliminary Offering Memorandum is directed only at (i) in the United Kingdom, persons who are Relevant Persons and (ii) in any member state of the EEA, by persons who are qualified investors. Any investment or investment activity to which this Preliminary Offering Memorandum relates is available only to Relevant Persons in the United Kingdom and qualified investors in any member state of the EEA. No part of the Preliminary Offering Memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person.

The Preliminary Offering Memorandum does not constitute an offer to sell, or a solicitation of any offer, or an invitation to subscribe for or purchase, or to make any commitments for or in respect of, any securities in the Issuer. It is subject to updating, amendment, revision, correction, verification and completion. Accordingly, it should not be relied on by any person for any purpose. Any investment in any securities in the Issuer will be solely on the basis of the Offering Memorandum and not on the basis of the Preliminary Offering Memorandum.

The Preliminary 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 none of the Initial Purchasers, any person who controls any of the Initial Purchasers, the Issuer, any of their respective directors, officers, employees or agents or affiliates of any of the foregoing entities or persons, accepts any liability or responsibility whatsoever in respect of any difference between the Preliminary Offering Memorandum distributed to you in electronic form and any version that will be provided to you at a later date on request from the Initial Purchasers.

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

Notwithstanding the United Kingdom's departure from the European Union, any references in this document to European Union law should be treated as references to such law as applied in England and Wales and in Scotland from time to time including as retained, amended, extended, re-enacted or otherwise given effect on or after 11:00 pm on January 31, 2020.

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

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes 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, "**EU MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, and without prejudice to the obligations of the Issuer in accordance with EU MiFID II, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

#### **UK MiFIR product governance / Professional investors and ECPs only target market**

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (COBS), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

#### **EU PRIIPs Regulation/Prohibition of Sales to EEA Investors**

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. No key information document required by Regulation (EU) No 1286/2014 (as amended, the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared. Offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

#### **UK PRIIPs Regulation/Prohibition of Sales to UK Retail Investors**

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

References to Regulations or Directives include, in relation to the United Kingdom, those Regulations or Directives as they form part of UK domestic law by virtue of the EUWA or have been implemented in UK domestic law, as appropriate.

The Preliminary 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 EU Prospectus Regulation for the requirement to publish a prospectus for offers of Notes. The Preliminary Offering Memorandum is not a prospectus for the purposes of the EU Prospectus Regulation.

This Preliminary Offering Memorandum has been prepared on the basis that any offer of the Notes in the United Kingdom will be made pursuant to an exemption under the UK Prospectus Regulation from a requirement to publish a prospectus for offers of Notes. This Preliminary Offering Memorandum is not a prospectus for the purpose of the UK Prospectus Regulation.

The information in this Preliminary Offering Memorandum is not complete and may be changed without notice. This Preliminary Offering Memorandum is not an offer to sell the securities described herein and it is not a solicitation of an offer to buy the securities described herein in any jurisdiction in which such offer, solicitation or sale is not permitted.

# AFFLELOU

Afflelou  
€410.0 million % Senior Secured Notes due 2026  
€75.0 million Senior Subordinated Floating Rate Notes due 2027

Afflelou, a *société par actions simplifiée* organized under the laws of France (the "**Issuer**"), is offering (the "**Offering**") €410.0 million aggregate principal amount of its % senior secured notes due 2026 (the "**Senior Secured Notes**") and €75.0 million aggregate principal amount of its senior subordinated floating rate notes due 2027 (the "**Senior Subordinated Notes**") and, together with the Senior Secured Notes, the "**Notes**"). Each series of the Notes will be issued pursuant to an indenture (each an "**Indenture**") dated on or about , 2021 (the "**Issue Date**") among, *inter alios*, the Issuer, U.S. Bank Trustees Limited, as trustee (the "**Trustee**"), and U.S. Bank Trustees Limited, as security agent (the "**Security Agent**"). The Senior Secured Notes will bear interest at a rate of % per annum and will mature on , 2026. The Issuer will pay interest on the Senior Secured Notes semi-annually in arrears on each and , commencing on , 2021. Interest will accrue from the Issue Date. At any time prior to , 2023, the Issuer will be entitled, at its option, to redeem all or a portion of the Senior Secured Notes at a redemption price equal to 100% of the principal amount of the Senior Secured Notes redeemed plus accrued and unpaid interest and additional amounts, if any, to the redemption date plus a "make whole" premium, as described in this offering memorandum (the "**Offering Memorandum**"). At any time on or after , 2023, the Issuer may redeem all or part of the Senior Secured Notes at the redemption prices set forth herein. In addition, prior to , 2023, the Issuer may redeem at its option, up to 40% of the original aggregate principal amount of the Senior Secured Notes (including the aggregate principal amount of any additional notes issued) with the net cash proceeds from certain equity offerings at the redemption price specified herein.

The Senior Subordinated Notes will bear interest at a rate equal to three month EURIBOR (subject to a 0% floor) plus basis points per annum, reset quarterly, and will mature on , 2027. The Issuer will pay interest on the Senior Subordinated Notes quarterly on each , and , commencing on , 2021. Interest will accrue from the Issue Date. At any time on or after , 2023, the Senior Subordinated Notes may be redeemed at the redemption prices set forth herein. Prior to on , 2023, the Issuer may also redeem all or a portion of the Senior Subordinated Notes at a redemption price equal to 100% of the principal amount of the Senior Subordinated Notes redeemed plus accrued and unpaid interest and additional amounts, if any, to the redemption date plus a "make whole" premium, as described in this Offering Memorandum.

The Issuer may also redeem all but not less than all of the Notes upon the occurrence of certain changes in applicable tax law at a redemption price equal to 100% of the outstanding amount of the Notes plus accrued and unpaid interest and additional amounts, if any. Upon the occurrence of certain events constituting a change of control triggering event, each holder of the Notes may require the Issuer to repurchase all or a portion of its Notes at 101% of their principal amount plus accrued and unpaid interest and additional amounts, if any. A change of control triggering event, however, will not be deemed to have occurred if a ratings downgrade has not occurred. In addition, even if a ratings downgrade has occurred, a change of control triggering event will not be deemed to have occurred if a specified consolidated net leverage ratio is not exceeded in connection with such event. The Issuer shall, if an IPO Event (as defined herein) has occurred (and subject to certain exceptions), redeem the Notes with the net cash proceeds received by the Issuer from certain secondary equity sales at the redemption prices set forth in this Offering Memorandum, plus accrued and unpaid interest and additional amounts, if any. See "*Description of the Senior Secured Notes*" and "*Description of the Senior Subordinated Notes*".

On or around the Issue Date, the Notes will be guaranteed by 3AB Optique Développement and Alain Afflelou Franchiseur (collectively, the "**Issue Date Guarantors**") and, within 60 days of the Issue Date, by Alain Afflelou International, 3ABOE, LSFA and L'Opticien Afflelou (the "**Post-Issue Date Guarantors**" and, together with the Issue Date Guarantors, the "**Guarantors**"). The Senior Secured Notes will be general senior obligations of the Issuer and will be guaranteed on a senior basis (the "**Senior Secured Notes Guarantees**") by the Guarantors and will rank equally in right of payment to all other existing and future senior obligations of the Issuer and the Guarantors, respectively, 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 Senior Secured Notes, including the Senior Subordinated Notes. The Senior Subordinated Notes will be general obligations of the Issuer and will be contractually subordinated in right of payment to any existing and future senior indebtedness of the Issuer, including the Issuer's obligations under the Senior Secured Notes, the New Revolving Credit Facility and certain hedging obligations, if any. The Senior Subordinated Notes will be guaranteed by the Guarantors on a subordinated basis (the "**Senior Subordinated Notes Guarantees**") and, together with the Senior Secured Notes Guarantees, the "**Guarantees**").

The Guarantees will be subject to certain limitations as described under "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*" and may be released in certain circumstances. See "*The Offering—Guarantees*". On or around the Issue Date, the Senior Secured Notes and the Senior Secured Notes Guarantees will be secured on a first-priority basis by security interests over certain assets of the Issuer and the Issue Date Guarantors (collectively, the "**Issue Date Collateral**") along with obligations under the New Revolving Credit Facility Agreement and, if any, certain hedging obligations and certain other future indebtedness; and the Senior Subordinated Notes will be secured on a second-priority basis by the Issue Date Collateral. Within 60 days of the Issue Date, the Senior Secured Notes and the Senior Secured Notes Guarantees will be secured on a first-priority basis by security interests over certain assets of the Post-Issue Date Guarantors and certain of the Issue Date Guarantors (collectively, the "**Post-Issue Date Collateral**") and, together with the Issue Date Collateral, the "**Collateral**") along with obligations under the New Revolving Credit Facility Agreement and, if any, certain hedging obligations and certain other future indebtedness; and the Senior Subordinated Notes will be secured on a second-priority basis by the Post-Issue Date Collateral.

Pursuant to the New Intercreditor Agreement, after an acceleration event in respect of the Senior Secured Notes, the New Revolving Credit Facility, the Senior Subordinated Notes or other debt subject to the New Intercreditor Agreement, neither the Issuer nor the Guarantors may make payments in respect of the Senior Subordinated Notes or the Senior Subordinated Notes Guarantees except in connection with the realization or enforcement of the Collateral by the Security Agent as described under "*Description of Certain Other Indebtedness and Other Arrangements—New Intercreditor Agreement*", in which case such payments will be applied in respect of the New Revolving Credit Facility and, if any, certain hedging obligations and certain other future indebtedness until such obligations are repaid in full prior to the repayment of the Senior Secured Notes. See "*Description of Certain Other Indebtedness and Other Arrangements—New Intercreditor Agreement*". In addition, the Collateral will be subject to the Agreed Security Principles (as defined herein) and limitations under applicable law and may be released under certain circumstances. Such payments will be applied in respect of the Senior Subordinated Notes only after the Senior Secured Notes are repaid in full. See "*Description of Certain Other Indebtedness and Other Arrangements—New Intercreditor Agreement*", "*The Offering—Security*", "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*" and "*Risk Factors—Pursuant to the subordination provisions in the New Intercreditor Agreement, there is a doubt as to the ability of holders of Senior Subordinated Notes to recover in relation to an enforcement action premised on the Senior Subordinated Guarantees*". The security interests in the Collateral will be subject to legal limitations that may materially limit their enforceability. See "*Risk Factors—Risks related to the Notes, the Guarantees and the Collateral*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*".

There is currently no public market for the Notes. Application will be made to list the Notes on the Official List of Euronext Dublin and to admit them for trading on the Global Exchange Market thereof. There is no assurance that the Notes will be listed on the Official List of Euronext Dublin and admitted for trading on the Global Exchange Market thereof.

Investing in the Notes involves risks. See "*Risk Factors*" beginning on page 40 for a discussion of certain risks that you should consider in connection with an investment in the Notes.

Issue price for the Senior Secured Notes:	% of principal plus accrued and unpaid interest, if any, from the Issue Date.
Issue price for the Senior Subordinated Notes:	% of principal plus accrued and unpaid interest, if any, from the Issue Date.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction, and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. In the United States, this Offering is being made only to "qualified institutional buyers" ("QIBs") as defined in Rule 144A of the Securities Act ("Rule 144A") in compliance with Rule 144A. Prospective purchasers that are QIBs are hereby notified that the Initial Purchasers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Outside the United States, this Offering is being made in offshore transactions in reliance on Regulation S under the Securities Act and to persons other than retail investors in: (a) the European Economic Area, 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, "EU MiFID II") or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or (b) the United Kingdom, defined as a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "FSMA") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. For further details about eligible offerees and resale restrictions, see "Plan of Distribution", "Notice to Investors" and "Transfer Restrictions".

The Notes will be issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Notes will be represented upon issuance by one or more global notes in registered form, which we expect will be deposited and registered in the name of a nominee for a common depositary for Euroclear SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") on the Issue Date. See "*Book-Entry, Delivery and Form*".

Sole Global Coordinator and Lead Physical Bookrunner

Morgan Stanley  
Joint Bookrunners

BNP PARIBAS

Crédit Agricole CIB

The date of this Offering Memorandum is , 2021.

*You should rely only on the information contained in this Offering Memorandum. Neither the Issuer nor any of the Initial Purchasers has authorized anyone to provide you with information that is different from the information contained herein. If given, any such information should not be relied upon. Neither the Issuer nor any of the Initial Purchasers is making an offer of the Notes in any jurisdiction where the Offering is not permitted. You should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the front of this Offering Memorandum.*

---

## Table of contents

Important Information .....	ii
Notice to Investors .....	vi
Available Information.....	ix
Forward-Looking Statements .....	x
Presentation of Financial and Other Information .....	xiii
Certain Definitions .....	xx
Exchange Rates.....	xxvii
Summary.....	1
Summary Corporate and Financing Structure .....	22
The Offering .....	24
Summary Historical Consolidated Financial Information and Other Data .....	33
Risk Factors .....	40
Use of Proceeds.....	100
Capitalization.....	101
Selected Historical Financial Data .....	102
Management's Discussion and Analysis of Financial Condition and Results of Operations .....	106
Industry.....	145
Business.....	157
Regulation .....	199
Management .....	208
Principal Shareholders and Related Party Transactions .....	212
Description of Certain Other Indebtedness and Other Arrangements .....	213
Description of the Senior Secured Notes.....	250
Description of the Senior Subordinated Notes.....	339
Book-Entry, Delivery and Form.....	432
Certain Tax Considerations.....	436
Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests .....	443
Plan of Distribution .....	471
Transfer Restrictions .....	474
Legal Matters .....	478
Independent Auditors .....	479
Service of Process and Enforcement of Civil Liabilities.....	480
Listing and General Information.....	483
Index to the Financial Statements.....	F-1

### Important Information

THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND THE NOTES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. SEE "*PLAN OF DISTRIBUTION*" AND "*NOTICE TO INVESTORS*". INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF ANY SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A UNDER THE SECURITIES ACT.

The Offering is being made on the basis of this Offering Memorandum only. Any decision to purchase Notes in the Offering must be based on the information contained in this Offering Memorandum. None of the Issuer or Morgan Stanley Europe SE, BNP Paribas or Crédit Agricole Corporate and Investment Bank (each, an "**Initial Purchaser**" and, collectively, the "**Initial Purchasers**") or any of their respective affiliates have authorized anyone to provide you with any information or represent anything about the Issuer or any of its affiliates, their financial results or the Offering that is not contained in this Offering Memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer or any of the Initial Purchasers. You should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the front of this Offering Memorandum.

This Offering Memorandum is confidential and has been prepared by the Issuer solely for use in connection with the Offering to QIBs in compliance with Rule 144A under the Securities Act and outside the United States in offshore transactions (within the meaning of Regulation S) in reliance on Regulation S under the Securities Act. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. This Offering Memorandum may not be distributed to any person other than prospective investors and any person retained to advise such prospective investors with respect to the purchase of the Notes, and any disclosure of the contents of this Offering Memorandum without the prior written consent of the Issuer is prohibited. By accepting delivery of this Offering Memorandum, you agree to the foregoing and you agree to make no copies of this Offering Memorandum or any documents referred to in this Offering Memorandum.

The information contained in this Offering Memorandum has been furnished by the Issuer and other sources the Issuer believes to be reliable. The Issuer confirms, to the best of its knowledge, information and belief, that the information contained in this Offering Memorandum with regards to the Group, its affiliates and the Notes is true and accurate in all material respects, that the opinions and intentions expressed in this Offering Memorandum are honestly held and that they are not aware of any other facts, the omission of which would make this Offering Memorandum or any statement contained herein misleading in any material respect. The directors of the Issuer have taken all reasonable care to ensure that the facts stated in this Offering Memorandum are true and accurate in all material respects, and that there are no other facts the omission of which would make misleading any statement in this Offering Memorandum, whether of facts or of opinion. All the directors of the Issuer accept responsibility accordingly. Neither the delivery of this Offering Memorandum nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Group since the date of this Offering Memorandum or that the information contained in this Offering Memorandum is correct as of any time subsequent to that date.

None of the Initial Purchasers and no Trustee, Paying Agent, Transfer Agent, Calculation Agent or Security Agent nor any of their respective affiliates is making any representation or warranty, express or implied, that this information is accurate, fair, adequate or complete and none of the Initial Purchasers and no Trustee, Paying Agent, Transfer Agent, Calculation Agent or Security Agent nor any of their respective affiliates is responsible for this information. None of the Initial Purchasers and no Trustee, Paying Agent, Transfer Agent, Calculation Agent or Security Agent nor any of their respective employees, officers, directors, contractors or agents has authorized the contents or circulation of this Offering Memorandum, and none of the Initial Purchasers, nor any of its employees assumes any responsibility for, and no such person will accept any liability for, any loss suffered as a result of, arising out of, or in connection with, this Offering Memorandum or any of the information or opinions contained

in it. The Initial Purchasers, the Trustees, the Paying Agents, the Transfer Agents, the Calculation Agent and the Security Agents and their respective affiliates accordingly disclaim all and any liability whether arising in tort or contract or otherwise which they might otherwise have in respect of this Offering Memorandum or any of the information or opinions contained in it. The Initial Purchasers do not undertake to review the financial condition or affairs of the Issuer or any Guarantor during the life of the Notes or to advise any investor or potential investor in the Notes of any information coming to the attention of any Initial Purchaser. Nothing in this Offering Memorandum is, or shall be relied upon as, a promise or representation by any of the Initial Purchasers or their respective affiliates as to the past or future.

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this Offering Memorandum and, if given or made, any such information or representation must not be relied upon as having been authorized by the Issuer, the Initial Purchasers or any of their respective affiliates. This Offering Memorandum does not constitute an offer of any securities other than those to which it relates or an offer to sell, or a solicitation of an offer to buy, to any person in any jurisdiction where such an offer or solicitation would be unlawful.

This Offering Memorandum contains summaries, believed by the Issuer to be accurate, of some of the terms of specific documents, but reference is made to the actual documents, copies of some of which will be made available upon request, for the complete information contained in those documents. All summaries are qualified in their entirety by such reference. See "*Where You Can Find More Information*". The contents of the Group's websites do not form any part of this Offering Memorandum. None of the Issuer, the Guarantors or the Initial Purchasers represents that the information contained in the Offering Memorandum is complete. All summaries of the documents contained herein are qualified in their entirety by reference to the relevant document. We urge you to read these documents in their entirety to understand the rights and obligations arising therefrom. By receiving this Offering Memorandum, investors acknowledge that they have had an opportunity to request for review, and have received, all additional information they deem necessary to verify the accuracy and completeness of the information contained in this Offering Memorandum. Investors also acknowledge that they have not relied on the Initial Purchasers, the Issuer or their respective directors, advisors and agents in connection with their investigation of the accuracy, completeness or adequacy of this information or their decision whether to invest in the Notes.

In making an investment decision, prospective investors must rely on their own examination of the Issuer and any of its affiliates, the terms of the Offering and the merits and risks involved. In addition, none of the Issuer, the Guarantors, the Initial Purchasers and no Trustee, Paying Agent, Transfer Agent, Calculation Agent or Security Agent nor any of their respective representatives is making any representation to you regarding the legality of an investment in the Notes. The contents of this Offering Memorandum are not to be considered legal, business, financial, investment, tax or other advice. Prospective investors should consult their own counsel, accountants and other advisors as to legal, business, financial, investment, tax, regulatory and other aspects of a purchase of the Notes.

By accepting delivery of this Offering Memorandum, you agree to the foregoing restrictions, to make no photocopies of this Offering Memorandum or any documents referred to herein and to not use any information herein for any purpose other than considering an investment in the Notes.

The Offering is being made in reliance upon exemptions from registration under the Securities Act for an offer and sale of securities that does not involve a public offering. The Notes have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the "**SEC**") or any other U.S. federal, state or foreign securities commission or regulatory authority, nor has any such commission or regulatory authority reviewed or passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

The Initial Purchasers reserve the right to withdraw the Offering at any time and to reject any offer to purchase the Notes, in whole or in part, for any reason or no reason and to allot to any prospective purchaser less than the full amount of the Notes sought by it. The Initial Purchasers also reserve the right to allot less than the full amount of Notes sought by investors. The Initial Purchasers and certain related entities may acquire a portion of the Notes for their own accounts. Persons into whose possession this Offering Memorandum or any of the Notes come must inform themselves about, and observe any restrictions on, the transfer and exchange of the Notes. See "*Plan of Distribution*" and "*Notice to Investors*".



The Notes are subject to restrictions on transferability and resale and may not be transferred or resold, except as permitted under the Securities Act and the applicable state securities laws, pursuant to registration or exemption therefrom. As a prospective investor, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. Please refer to the sections in this Offering Memorandum entitled "*Plan of Distribution*" and "*Notice to Investors*".

The laws of certain jurisdictions may restrict the distribution of this Offering Memorandum and the offer and sale of the Notes. This Offering Memorandum does not constitute an offer of any securities other than those to which it relates or an offer to sell, or a solicitation of an offer to buy, to any person in any jurisdiction where such an offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum or any of the Notes come must inform themselves about, and observe, any such restrictions. For a further description of certain restrictions on the Offering and sale of the Notes and the distribution of the Offering Memorandum, see "*Notice to Investors*".

To purchase the Notes, investors must comply with all applicable laws and regulations in force in any jurisdiction in which investors purchase, offer or sell the Notes or possess or distribute this Offering Memorandum. Investors must also obtain any consent, approval or permission required by such jurisdiction for investors to purchase, offer or sell any of the Notes under the laws and regulations in force in any jurisdiction to which investors are subject. None of the Issuer, any other member of the Group, the Initial Purchasers and no Trustee, Paying Agent, Transfer Agent, Calculation Agent or Security Agent or their respective affiliates will have any responsibility therefor.

Neither the Issuer nor any of the Initial Purchasers are making an Offering in any jurisdiction where the Offering is not permitted. No action has been taken by the Initial Purchasers, the Issuer or any other person that would permit an Offering or the circulation or distribution of the Offering Memorandum or any offering material in relation to the Issuer or any of the Notes in any country or jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with all applicable laws and regulations. If a jurisdiction requires that the Offering be made by a licensed broker or dealer and the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the Offering shall be deemed to be made by the Initial Purchasers on behalf of the Issuer, in such jurisdiction.

The information contained under the headings "*Summary*", "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Industry*" and "*Business*" includes extracts from information and data, including industry and market data, prepared by third parties. While the Issuer accept responsibility for the accurate extraction and summarization of such information and data, the Issuer have not independently verified the accuracy of such information and data and accept no further responsibility in respect thereof. However, as far as the Issuer is aware, no information or data has been omitted which would render reproduced information inaccurate or misleading.

The information contained in this Offering Memorandum under the caption "*Exchange Rates*" includes extracts from information and data publicly released by official and other sources. The Issuer do not accept responsibility in respect thereto.

The information set forth in those sections of this Offering Memorandum describing clearing and settlement is subject to any change or reinterpretation of the rules, regulations and procedures of Euroclear and Clearstream currently in effect. Investors wishing to use these clearing systems are advised to confirm the continued applicability of their rules, regulations and procedures. Each of the Issuer and each Trustee, Paying Agent, Transfer Agent, Calculation Agent and Registrar or any of their respective affiliates will not 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 such book-entry interests.

In connection with the Offering, the Initial Purchasers are not acting for anyone other than the Issuer and will not be responsible to anyone other than the Issuer for providing the protections afforded to their clients nor for providing advice in relation to the Offering.

The Notes will be available initially only in book-entry form. We expect that the Notes sold pursuant to this Offering Memorandum will be issued in the form of one or more global notes, which will be deposited with, or on behalf of, a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream. Beneficial interests in the global notes will be shown on, and transfer of beneficial interests in the global notes will be effected only

through, records maintained by Euroclear and/or Clearstream and their direct and indirect participants, as applicable. After the initial issuance of the global notes, Notes in certificated form will be issued in exchange for the global notes only as set forth in each of the indentures governing the Notes. See *"Book-Entry; Delivery and Form"*.

The Issuer will apply to have the Notes listed on the Official List of Euronext Dublin. In the course of any review by the competent authority, the Issuer may be required (under applicable law, rules, regulations or guidance applicable to the listing of securities or otherwise) to make certain changes or additions to or deletions from the description of the Group's business, financial statements and other information contained herein in producing listing particulars for such listing. The Issuer cannot guarantee that its application for the listing of the Notes on the Official List of Euronext Dublin will be approved as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this listing. 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 in the listing particulars. The Issuer may also be required to update the information in this Offering Memorandum to reflect changes in the Group's business, financial condition or results of operations and prospects since the publication of this Offering Memorandum. Following the listing, the relevant listing particulars will be available at the offices of the Listing Agent. Any investor or potential investor in the European Economic Area or the United Kingdom should not base any investment decision relating to the Notes on the information contained in this Offering Memorandum after publication of the listing particulars and should refer instead to those listing particulars.

#### **No Integration of Website**

Information contained on the website of any member of the Group is not incorporated by reference into this Offering Memorandum and is not part of this Offering Memorandum.

#### **STABILIZATION**

IN CONNECTION WITH THE OFFERING, MORGAN STANLEY EUROPE SE (OR ONE OF ITS AFFILIATES OR PERSONS ACTING ON ITS BEHALF, THE **"STABILIZING MANAGER"**), MAY OVER-ALLOT EACH SERIES OF 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 FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, STABILIZATION MAY NOT NECESSARILY OCCUR. ANY STABILIZATION ACTION 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 BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILIZING MANAGER IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

## Notice to Investors

### Notice to U.S. Investors

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

This Offering Memorandum is being provided (1) to a limited number of U.S. investors that the Issuer reasonably believes to be QIBs under the Securities Act for informational use solely in connection with their consideration of the purchase of the Notes and (2) to investors outside the United States in offshore transactions complying with Rule 903 or Rule 904 of Regulation S under the Securities Act. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted. The Notes described in this Offering Memorandum have not been registered with, recommended by or approved by the SEC, any state securities commission in the United States or any other securities commission or regulatory authority, nor has the SEC, any state securities commission in the United States or any such securities commission or authority passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense in the United States. Any offer or sale of Notes in the United States in reliance on Rule 144A will be made by broker dealers who are registered as such under the U.S. Exchange Act. Terms used in this paragraph have the meanings given to them by Regulation S. See "*Transfer Restrictions*".

### Notice to Investors in the European Economic Area and the United Kingdom

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

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes 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, "**EU MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

#### UK MiFIR product governance / Professional investors and ECPs only target market

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

### European Economic Area

#### EU PRIIPs Regulation/Prohibition of Sales to EEA Investors

Each Initial Purchaser has represented, warranted and agreed that it has not offered, sold or otherwise made available to and will not offer, sell or otherwise make available the Notes to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of EU MiFID II or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**EU 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 or otherwise

making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

### **United Kingdom**

#### **UK PRIIPs Regulation/Prohibition of sales to UK Retail Investors**

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the United Kingdom. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

- a) a retail client, as defined in point (8) of Article 2 of UK MiFIR; or
- b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

#### **Other UK regulatory restrictions**

Each Initial Purchaser has represented, warranted and agreed that:

- a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an 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 the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the communication; and
- b) it 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.

#### **Notice to Investors in France**

This Offering Memorandum has not been approved by, or registered or filed with the *Autorité des marchés financiers* (the French financial markets authority ("**AMF**")) and does not require a prospectus to be submitted for approval to the AMF.

Consequently, the Notes may not be, directly or indirectly, offered or sold in France (other than to qualified investors as defined in, and in accordance with, Article 2(e) of the Prospectus Regulation and Article L.411-2 of the *French Code monétaire et financier*), and neither this Offering Memorandum nor any offering or marketing materials relating to the Notes may be made available or distributed in any way in France except to qualified investors.

#### **Notice to Investors in Italy**

The Offering has not been registered by, nor submitted for clearance to the *Commissione Nazionale per la Società e la Borsa* ("**CONSOB**") (the Italian securities exchange commission), pursuant to Italian securities legislation and will not be subject to review or clearance by CONSOB. Accordingly, no Notes may be offered, sold or delivered, directly or indirectly, in Italy nor may copies of this Offering Memorandum or of any other document or offering material relating to the Notes be issued, distributed or published in Italy, either on the primary or on the secondary market, except:

- (i) to qualified investors (*investitori qualificati*), as defined under Article 2, paragraph 1, letter e), of Regulation (EU) No. 1129 of June 14, 2017 (the "**Prospectus Regulation**") and any applicable provision of Legislative Decree No. 58 of February 24, 1998, as amended from time to time (the "**Italian Financial Services Act**") and/or Italian CONSOB regulations; or
- (ii) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-ter of the CONSOB Regulation No. 11971 of

May 14, 1999, as amended from time to time, and in accordance with any other applicable Italian laws and regulations.

Any offer, sale or delivery of the Notes or distribution of copies of this Offering Memorandum or any other document relating to the Notes in Italy must be made in compliance with the selling restrictions under (i) or (ii) above and must be made:

(a) by *soggetti abilitati* (including investment firms, banks or financial intermediaries), as defined by Article 1, first paragraph, letter r), of the Italian Financial Services Act, permitted to conduct such activities in Italy in accordance with the relevant provisions of the Italian Financial Services Act, CONSOB Regulation No. 20307 of February 15, 2018, as amended from time to time, and Legislative Decree No. 385 of September 1, 1933, as amended from time to time (the "**Italian Banking Act**"), and any other applicable law and regulations;

(b) in compliance with Article 129 of the Italian Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy issued on August 25, 2015, as amended from time to time, pursuant to which the Bank of Italy may request periodic reporting, data and information on the issue or the offering of securities in Italy; and

(c) in compliance with all relevant Italian securities, tax and exchange control and any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy and/or any other relevant Italian competent authority.

### Available Information

Each purchaser of Notes from the Initial Purchasers will be furnished with a copy of this Offering Memorandum and any amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any amendments or supplements to this Offering Memorandum acknowledges that:

- (1) such person has been afforded an opportunity to request from the Issuer, and to review and has received all additional information considered by it to be necessary to verify the accuracy and completeness of the information contained 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 decision to invest in the Notes; and
- (3) except as provided pursuant to (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

We will agree in the Indentures governing the Notes that, if at any time we are not subject to Section 13 or Section 15(d) of the Exchange Act, or are exempt from reporting pursuant to Rule 12g3-2(b) of the Exchange Act, we will, upon the request of a holder of the Notes, furnish to such holder or beneficial owner or to any Trustee or Paying Agent for delivery to such holder or beneficial owner or prospective purchaser of the Notes, as the case may be, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act, to permit compliance with Rule 144A thereunder in connection with resales of the Notes. Any such request should be directed to the Issuer at 11 rue d'Argenson 75008 Paris, France.

The Issuer is not currently subject to the periodic reporting and other information requirements of the Exchange Act. However, pursuant to the Indentures that will govern the Notes, the Issuer will agree to furnish periodic information to the holders of the Notes. See "*Description of the Senior Secured Notes—Certain covenants—Reports*", "*Description of the Senior Subordinated Notes—Certain covenants—Reports*" and "*Listing and General Information*".

Information contained on our website is not incorporated by reference into this Offering Memorandum and is not part of this Offering Memorandum.

## Forward-Looking Statements

This Offering Memorandum contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and the securities laws of other jurisdictions. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words "aim", "anticipate", "believe", "can have", "continue", "could", "estimate", "expect", "guidance", "guide", "intend", "likely", "may", "ongoing", "plan", "potential", "project", "seek", "should", "target", "will", "would" or, in each case, their negative, or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions. The absence of such terminology does not necessarily mean that a statement is not forward-looking. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this Offering Memorandum and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, competition in areas of our business, outlook and growth prospects, strategies and the industry in which we operate.

By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are based on potentially inaccurate assumptions and are not guarantees of future performance and that our actual results of operations, financial condition and liquidity and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this Offering Memorandum. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those material differences include:

- our exposure to risks associated with COVID-19;
- our exposure to macroeconomic and other macro trends;
- our ability to adapt to evolving customer tastes and preferences;
- our exposure to risks relating to the reimbursements framework in France;
- the increasing influence of care networks in France;
- the shortage of certain health professionals, such as ophthalmologists and audio prosthetists, in France;
- the ability of our franchisees to generate sufficient sales or the appropriation or use to our detriment by former franchisees of our know-how and commercial offers similar to ours;
- our limited influence over our franchisees' operations due to their status as independent operators;
- the risk that our franchisees may challenge the terms of our franchise agreements;
- regulations applicable to the franchisee relationship, particularly in France;
- our reliance on franchisees' accurate reporting of network sales as a key performance indicator and the basis of calculation of fees owed to us by franchisees;
- the risks associated with a highly competitive environment ;
- the risks associated with new market entrants;
- technical, technological or medical advances that may reduce the attractiveness of our products;
- the lengthening of the hearing aid development cycle and our inability to develop or exploit new technologies in time to remain competitive;
- operational and other risks in relation to e-commerce and online sales;
- our failure to respond appropriately to risks relating to e-commerce that may reduce our revenue and damage our reputation and brand image;

- our reliance upon the skills and continued service of our existing senior management team and skilled employees;
- the close connection between our historical success and our founder;
- our reliance on brand awareness, reputation and know-how;
- our ability to protect our brands and other intellectual property rights;
- our ability to successfully manage and develop our existing banners, brands and store networks;
- our ability to successfully manage our digital transformation ;
- our exposure to counterparty risks in relation to customers, franchisees, suppliers and health insurance companies;
- certain risks associated with operating directly-owned stores;
- the risk that our marketing and communication strategy may be ineffective;
- our ability to successfully introduce new product innovations and implement commercial offers;
- the impact of future acquisitions or investments on our business and our inability to identify suitable acquisitions;
- the risk of catastrophic events, such as natural disasters, pandemics or terrorist attacks, and political instability that could adversely affect our business;
- the risks associated with potential future expansions of our retail operations into new markets;
- the risks associated with doing business in emerging markets;
- exposure to defective or unsafe products and resultant product recalls and remedies against our suppliers;
- exposure to repair or replacement costs in respect of product guarantees;
- our exposure to liability and reputational harm from injury at our directly-owned stores and our franchisees' stores;
- the risk that we may incur liabilities that are not covered by insurance;
- the disruption of our business due to the failure of our IT systems or the destruction or damage of our databases;
- the risk that reimbursements for hearing aids in France may not be adequate;
- the risks associated with the erosion of hearing aid prices;
- reliance on certain suppliers and service providers, including our intermediary agent in China;
- the loss of, or an action taken by, our suppliers and damage to our contractual agreements and license agreements;
- exposure to political, economic and other business risks in sourcing markets;
- exposure to risks from legal and arbitration proceedings, including antitrust and tax proceedings;
- risks associated with operating in a highly regulated business environment and difficulties in predicting legal and regulatory changes or developments;
- exposure to risks of strikes, work stoppages and other industrial action;
- failure to obtain, renew or maintain, or material delays in obtaining, requisite governmental or other relevant approvals, licenses, certificates or permits for the conduct of our business;
- the risks associated with our relationships with our customers and suppliers and related stringent regulations;



- our exposure to confidentiality and security breaches and risks related to compliance with stringent security and data privacy laws;
- risks related to changes in regulations and laws governing the online and e-commerce transactions, including user privacy and e-privacy, data protection, including the GDPR, and electronic communications;
- risks related to changes in laws and regulations affecting the advertising methods we employ or the commercial offers we implement;
- risks related to changes in customs regulations, including customs duties;
- risks related to violations of anti-corruption laws, sanctions or other similar regulations applicable in the countries in which we operate or intend to operate ;
- risks related to the Normalized EBITDA, derived using various assumptions related to the impact of COVID-19 pandemic on our EBITDA, presented in this Offering Memorandum ;
- risks related to our dependence on payments from our subsidiaries in order to be able to make payments on the Notes ;
- risks related to impairment charges in respect of goodwill and other intangible assets ;
- risks related to the inconsistency of the interests of our shareholders with the interests of the holders of the Notes ;
- certain tax risks;
- risks related to our indebtedness;
- risks related to the Notes, the Guarantees and the Collateral; and
- the other factors described in more detail under "*Risk Factors*".

The foregoing factors and others described under "*Risk Factors*" should not be construed as exhaustive. Due to such uncertainties and risks, investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Offering Memorandum. We urge you to read the sections of this Offering Memorandum entitled "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Industry*" and "*Business*" for more detailed discussions of the factors that could affect our future performance and the industry in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Offering Memorandum may not occur. Moreover, we operate in a very competitive and rapidly changing environment. We may face new risks 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 statement. Given these risks and uncertainties, you should not place undue reliance on forward-looking statements as a prediction of actual results.

The forward-looking statements are based on plans, estimates and projections as they are currently available to our management. We undertake no obligation, and do not expect, to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Offering Memorandum.

## **Presentation of Financial and Other Information**

### **Financial Statements**

The financial information contained in this Offering Memorandum is taken from the Issuer's audited consolidated financial statements for the fiscal years ended July 31, 2018, 2019 and 2020, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and the Issuer's unaudited interim condensed consolidated financial statements for the six months ended January 31, 2021, which include the unaudited comparative financial information for the six months ended January 31, 2020, prepared in accordance with IAS 34, the standard of IFRS as adopted by the European Union applicable to interim financial statements, which, in each case, are included elsewhere in this Offering Memorandum.

The Issuer's audited consolidated financial statements for the fiscal year ended July 31, 2018 were subject to an audit by Ernst & Young et Autres and Constantin Associés (member of Deloitte Touche Tohmatsu Limited), the Issuer's statutory auditors for the fiscal year ended July 31, 2018. The Issuer's audited consolidated financial statements for the fiscal years ended July 31, 2019, and 2020 were subject to an audit by Ernst & Young et Autres and Deloitte & Associés, the Issuer's statutory auditors for those years. The Issuer's unaudited interim condensed consolidated financial statements for the six months ended January 31, 2021 which include the unaudited comparative financial information for the six months ended January 31, 2020, were subject to a limited review by Ernst & Young et Autres and Deloitte & Associés, the Issuer's statutory auditors for such period. For the consolidated financial statements of the Issuer for the fiscal years ended July 31, 2018, 2019 and 2020, an English translation of the consolidated financial statements and a free English translation of the auditors' reports are included elsewhere in this Offering Memorandum. For the unaudited interim condensed consolidated financial statements for the six months ended January 31, 2021, the unaudited interim condensed consolidated financial statements and the related auditor's report are included elsewhere in this Offering Memorandum.

The statutory auditors' report of Constantin Associés (member of Deloitte Touche Tohmatsu Limited) and Ernst & Young et Autres on the audited consolidated financial statements for the fiscal year ended July 31, 2018, without modifying the audit opinion expressed therein, contains an emphasis of matter relating to Note 3.1 to the consolidated financial statements relating to the impact of the revenue recognition standard, IFRS 15, "Revenue from contracts with customers", adopted early by the Issuer as of August 1, 2017. The statutory auditors' report of Ernst & Young et Autres and Deloitte & Associés on the audited consolidated financial statements for the fiscal year ended July 31, 2019, without modifying the audit opinion expressed therein, contains an emphasis of matter drawing attention to the uncertainty related to the tax adjustments received from the tax authorities concerning tax loss carryforwards described in note 6.6.3 "Notifications, lawsuits and disputes" to the consolidated financial statements. The statutory auditors' report of Ernst & Young et Autres and Deloitte & Associés on the audited consolidated financial statements for the fiscal year ended July 31, 2020, without modifying the audit opinion expressed therein, contains emphases of matter drawing attention to the matters disclosed in note 4.1.1 "standards, amendments and interpretations as of August 1, 2019" to the consolidated financial statements relating the impact of the mandatory implementation of IFRS 16 "Leases" by August 1, 2019 and note 6.6.3 "Notification, lawsuits and disputes" to the consolidated financial statements which present the uncertainty related to the tax adjustments received from the tax authorities concerning tax loss carryforwards. The review report of Ernst & Young et Autres and Deloitte & Associés on the unaudited interim condensed consolidated financial statements for the six months ended January 31, 2021, without modifying the conclusion expressed therein, contains an emphasis of matter drawing attention to the matter disclosed in note 6.3.2, which describes lawsuits, disputes and related uncertainties.

### **IFRS 16**

#### ***Context and methodology***

On January 13, 2016, the IASB issued a new standard on leases, IFRS 16. This results in the recognition of most leases using a single accounting model in the balance sheet, comprising a right-of-use asset representing the right to use the underlying leased asset and a lease liability representing the obligation to make payments (replacing the classification as operating or finance leases for lessees). The new standard, adopted by the European Union, is applicable for annual periods beginning on or after January 1, 2019 and has therefore been applied by the Group from August 1, 2019. The Group has elected to apply the modified retrospective transition approach offered by the standard. As from August 1, 2019, lease liability is calculated by discounting the remaining rents, taking into account the

estimated remaining term of the various leases. On the transition date, right-of-use assets were recognized in an amount equal to that of the lease liability or, by determining their carrying amount as if the standard had been applied since the most recent of the following dates: inception of the lease, most recent renewal, or takeover of the entity/activity carrying the lease within the meaning of IFRS 3, and then discounting it using the incremental borrowing rate at the date of first application. This option will be used for the most material leases. The choice of this transition approach means that prior period comparative information is not restated. The Group has also decided to make use of the exemptions permitted by the standard for short-term contracts (less than 12 months) or for low-value assets. The term of the leases are the non-cancellable term plus the periods covered by an extension option whose exercise is reasonably certain, and the periods covered by a termination option whose non-exercise is reasonably certain.

The Group disclosed its future minimum lease payment commitments pursuant to IAS 17, and payment commitments received in respect of subleases in its annual financial statements. The amount of these commitments is significantly lower than the liability under IFRS 16 as off-balance sheet commitments were limited to the non-cancellable period of the contracts (IAS 17.35) and did not take into account extensions and/or the non-exercise of the cancellation options considered reasonably certain by the management, within the meaning of IFRS 16.

### **Description of Group's leases liabilities**

Most of the Group's leases relate to real estate leases for the rental of commercial premises and, to a lesser extent, office space. The Group is also an intermediary lessor on sublease agreements with franchisees. As a lessor, the Group currently records its leases as operating leases, recognizing sublease income in profit or loss on a straight-line basis over the term of the sublease. For the Group's leases as lessor, the analysis carried out ahead of the transition led the Group to qualify them as finance leases. This qualification will result in the derecognition of the right-of-use asset relating to the main lease and the recognition of the net investment in the sublease as a financial receivable. Sublease agreements will result in the recognition of financial income corresponding to the effect of discounting.

### **Impact on financial statements and presentation by the Group**

The impact of the IFRS 16 standard on the Group's EBITDA is an increase mainly corresponding to rent expenses in connection with store rental agreements. This EBITDA impact is balanced between a depreciation on right of use assets and a finance charge on leases. In the Group's consolidated statement of financial position, the new IFRS 16 standard resulted in lease liabilities balanced with right of use assets and sublease financial receivables. The Group has presented and commented on its financial statements from August 1, 2019 under the new IFRS 16 presentation and describes, when necessary, the main changes under IFRS 16 standards in its financial statements and presents indicators as if they were calculated pre-IFRS 16. Below is a summary of the main impact of the IFRS 16 standard on the Group's financial statements for the periods under review.

	For the fiscal year ended July 31,			For the six months ended January 31,					
	2020		2020	2021		2021	2020		2020
	Post-IFRS 16	IFRS 16 impact	Pre-IFRS 16	Post-IFRS 16	IFRS 16 impact	Pre-IFRS 16	Post-IFRS 16	IFRS 16 impact	Pre-IFRS 16
<i>(in € millions)</i>									
<b>Consolidated income statement</b>									
Revenue .....	309.2	-	309.2	184.5	-	184.5	172.3	-	172.3
<b>Adjusted EBITDA</b> .....	70.6	15.0	55.6	<b>52.4</b>	<b>7.7</b>	<b>44.8</b>	<b>47.7</b>	<b>7.5</b>	<b>40.2</b>
<b>Adjusted EBIT</b> .....	52.4	2.2	50.2	<b>41.3</b>	<b>1.3</b>	<b>40.0</b>	<b>36.9</b>	<b>1.1</b>	<b>35.8</b>
Net financial income (expense) .....	(57.8)	(2.8)	(55.0)	(32.1)	(1.6)	(30.5)	(28.7)	(1.4)	(27.4)
<b>Consolidated statement of financial position</b>									
Right of use assets .....	61.1	61.1	0.0	64.1	64.1	0.0	55.7	55.7	0.0
Sublease financial receivables .....	19.3	19.3	0.0	18.7	18.7	0.0	16.0	16.0	0.0
Lease liabilities .....	83.7	83.7	0.0	86.3	86.3	0.0	74.0	74.0	0.0
<b>Consolidated statement of cash flows</b>									
Cash flows before borrowing costs .....	65.7	15.0	50.7	48.2	7.7	40.6	45.9	7.5	38.5

Change in working capital requirements .....	(2.6)	0.2	(2.7)	21.2	0.1	21.1	(0.2)	(0.0)	(0.2)
Investing activities .....	(9.3)	3.8	(13.1)	(8.9)	1.9	(10.8)	(1.8)	1.8	(3.6)
Financing transactions .....	(8.4)	(19.0)	10.7	(18.7)	(9.6)	(9.1)	(18.6)	(9.3)	(9.4)

### LTM Information

This Offering Memorandum also presents unaudited financial information of the Issuer for the twelve-month period ended January 31, 2021 which was calculated by adding the unaudited interim condensed consolidated financial information for the six months ended January 31, 2021 extracted from the unaudited interim condensed consolidated financial statements as of and for the six-month period ended January 31, 2021, to the audited consolidated financial information for the fiscal year ended July 31, 2020 extracted from the audited consolidated financial statements as of and for the fiscal year ended July 31, 2020, and subtracting the unaudited interim condensed consolidated financial information for the six months ended January 31, 2020 extracted from the unaudited comparative financial information for the six-month period ended January 31, 2020 included in the unaudited interim condensed consolidated financial statements as of and for the six-month period ended January 31, 2021.

The unaudited financial information of the Issuer for the twelve-month period ended January 31, 2021 has been prepared solely for the purposes of this Offering Memorandum, is not necessarily indicative of our results of operations for any future period, is not prepared in the ordinary course of the Issuer, has not been prepared in accordance with the requirements of Regulation S-X under the Securities Act, the Prospectus Directive or any generally accepted accounting standards.

### Optimil Disposal in October 2018

In the course of the fiscal year ended July 31, 2018, due to the disappointing performance of the Optimil discount banner in Spain and the difficulties encountered in implementing the various components of the franchisor's offer in the store network of the Optimil banner, we decided to initiate the sale of the Optimil banner and focus on the development of the Alain Afflelou banner in Spain. Negotiations for a potential sale of our subsidiary managing the Optimil banner started in early 2018 and the disposal was completed at the end of October 2018. As a consequence, our discount banner activities in Spain were treated as discontinued operations in the income statement of our audited consolidated financial statements for fiscal years ended July 31, 2018, 2019 and 2020. However, the Optimil activities were not treated as discontinued operations in our consolidated statement of cash flows for either period.

Finally, the Optimil operations are also presented separately with respect to our network key performance indicators, such as network sales, like-for-like network sales growth and store counts.

### Segment Information

In accordance with IFRS 8 (*Operating Segments*), our business is organized according to the following geographical segments:

- *France*. The "France" segment, which includes the optical and hearing aid businesses of franchised and directly-owned stores in France (including our online and e-commerce activities);
- *Spain*. The "Spain" segment, which includes the optical and hearing aid businesses of franchised and directly-owned stores in Spain (including Andorra); and
- *Other countries*. The "Other countries" segment, which includes the optical business of franchised and directly-owned stores in countries outside France and Spain, including Algeria, Andorra, Belgium, Burkina Faso, Colombia, Ivory Coast, Kuwait, Lebanon, Luxembourg, Morocco, Portugal, Senegal, Switzerland, Togo, Tunisia and Vietnam as of January 31, 2021.

### Other Financial Measures

In this Offering Memorandum, we present certain non-IFRS measures, including Adjusted EBITDA, Normalized EBITDA, Adjusted EBITDA margin, net capital expenditure, free cash flow, free cash flow conversion, network sales and like-for-like network sales growth.

You should exercise caution in comparing Adjusted EBITDA, Normalized EBITDA, Adjusted EBITDA margin, net capital expenditure, free cash flow, free cash flow conversion, network sales and like-for-like network sales growth to similarly titled measures of other companies. The information presented by each of Adjusted EBITDA, Normalized EBITDA, Adjusted EBITDA margin, net capital expenditure, free cash flow, free cash flow conversion, network sales and like-for-like network sales growth is unaudited

and has not been prepared in accordance with IFRS or any other accounting standards. In addition, the presentation of these measures is not intended to and does not comply with the reporting requirements of the U.S. Securities and Exchange Commission; compliance with its requirements would require the Issuer to make changes to the presentation of this information.

Definitions and, if applicable, reconciliations to IFRS measures, are presented under "*Summary Historical Consolidated Financial Information and Other Data—Other Financial Information*".

**Adjusted EBITDA, Normalized EBITDA and Adjusted EBITDA margin**

"**Adjusted EBITDA**" is defined as operating income from ordinary activities (excluding non-recurring items and the impact on income from discontinued operations) as presented in our consolidated financial statements, before (i) depreciation and amortization of property, plant and equipment, and intangible assets and right-of-use assets, (ii) changes in provisions for trade receivables and inventories and provisions for depreciation of right-of-use assets on property, plant and equipment and (iii) the management fees and bonuses payable to management.

"**Normalized EBITDA**" for the twelve months ended January 31, 2021 has been calculated by adding our Adjusted EBITDA for the six months ended January 31, 2021 (the first half of the fiscal year ending July 31, 2021) (which reflects the application of IFRS 16) to our Adjusted EBITDA for the six months ended July 31, 2019 (the second half of the fiscal year ended July 31, 2019, as adjusted to reflect an estimate of the impact of the application of IFRS 16 during that period), as further described in footnote 14 under "*Summary Historical Consolidated Financial Information and Other Data—Other Financial Information*".

We believe that Normalized EBITDA for the twelve months ended January 31, 2021 is a measure that assists in understanding our performance by substituting Adjusted EBITDA for the six months ended July 31, 2020 with Adjusted EBITDA for the six months ended July 31, 2019, which is more representative of our Adjusted EBITDA performance and takes into account the cyclicity of our business. Normalized EBITDA presented herein is for informational purposes only. Normalized EBITDA for the twelve months ended January 31, 2021 might not represent what our Adjusted EBITDA would have been for the same period had the confinement measures not been implemented. In particular, Normalized EBITDA does not (i) give effect to any other event, favorable or unfavorable, that happened or could have happened during the six months ended July 31, 2020, other than the events directly related to the COVID-19 pandemic, including the impact of the 100% Santé changes in the optical sector or the increase in number of our stores or (ii) adjust for the positive or negative effect of the ongoing COVID-19 pandemic during the six months ended January 31, 2021, in particular the impact of catchup demand for our products during periods immediately following the reopening of our stores after the end of confinement measures, as well as the impact of further restrictive measures which have been implemented by the governments in the countries in which we operate, notably in November 2020 and January 2021 in France, in response to the resurgence of the COVID-19 pandemic.

Normalized EBITDA has been prepared solely for the purposes of this Offering Memorandum, is not necessarily indicative of our results of operations for any future period, is not prepared in the ordinary course by the Issuer, has not been prepared in accordance with the requirements of Regulation S-X under the Securities Act, the Prospectus Directive or any generally accepted accounting standards.

"**Adjusted EBITDA margin**" is defined as (i) Adjusted EBITDA divided by (ii) revenue.

Neither Adjusted EBITDA, Normalized EBITDA nor Adjusted EBITDA margin is a measurement of performance under IFRS and you should not consider Adjusted EBITDA, Normalized EBITDA or Adjusted EBITDA margin as an alternative to operating income or consolidated profit, as a measure of our operating performance, cash flows from operating, investing and financing activities, as a measure of our ability to meet our cash needs or any other measures of performance or liquidity under generally accepted accounting principles. We believe that Adjusted EBITDA, Normalized EBITDA and Adjusted EBITDA margin are useful indicators of our ability to incur and service our indebtedness and can assist securities analysts, investors and other parties in evaluating us. Adjusted EBITDA, Normalized EBITDA and Adjusted EBITDA margin and similar measures are used by different companies for different purposes and are often calculated in ways that reflect the circumstances of those companies. Adjusted EBITDA, Normalized EBITDA and Adjusted EBITDA margin may not be indicative of our historical operating results, are not meant to be predictive of potential future results and undue reliance should not be placed upon these measures when evaluating an investment decision. Adjusted EBITDA, Normalized EBITDA and Adjusted EBITDA margin have limitations as analytical tools, and you should not consider them in isolation. Some of these limitations are:

- they do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on our debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often need to be replaced in the future and Adjusted EBITDA, Normalized EBITDA and Adjusted EBITDA margin do not reflect any cash requirements that would be required for such replacements; and
- the fact that other companies in our industry may calculate Adjusted EBITDA, Normalized EBITDA and Adjusted EBITDA margin differently than we do, which limits their usefulness as comparative measures.

See *"Risk Factors—Risks related to our financial profile and capital structure—Normalized EBITDA presented in this Offering Memorandum should be treated with caution when making an investment decision"*.

### **Net Capital Expenditure, Free Cash Flow and Free Cash Flow Conversion**

**"Free cash flow"** is defined as Adjusted EBITDA *minus* (i) net capital expenditure and (ii) income tax paid. We believe that this additional measure is a useful indicator of the level of cash generated by the Issuer after payment of our net capital expenditure and (ii) income tax paid. Free cash flow has limitations as an analytical tool. Free cash flow is not a presentation made in accordance with IFRS and should not be considered as an alternative to measures of liquidity of financial position as determined in accordance with IFRS. While we review and conduct control procedures on free cash flow figures, free cash flow figures are unaudited and are not part of our accounting system. Free cash flow is not necessarily comparable to similarly titled measures used by other companies. As a result, you should not consider this measure in isolation from, or as a substitute for analysis of, the Issuer's cash flows as determined in accordance with IFRS.

**"Free cash flow conversion"** is defined as (x) Adjusted EBITDA *minus* (i) net capital expenditure and (ii) income tax paid divided by (y) Adjusted EBITDA. We believe that this ratio is a useful indicator of the level of cash generated by the Issuer after payment of our net capital expenditure and (ii) income tax paid, compared to our Adjusted EBITDA. Free cash flow conversion is not a presentation made in accordance with IFRS and should not be considered as an alternative to measures of liquidity of financial position as determined in accordance with IFRS. While we review and conduct control procedures on free cash flow conversion, free cash flow conversion is unaudited and is not part of our accounting system. Free cash flow conversion is not necessarily comparable to similarly titled measures used by other companies. As a result, you should not consider this measure in isolation from, or as a substitute for analysis of, the Issuer's cash flows as determined in accordance with IFRS.

**"Net capital expenditure"** represents the sum of (i) purchases of intangible assets, (ii) purchases of property, plant and equipment and (iii) proceeds from disposal of intangible assets and property, plant and equipment. We believe that this additional measure is a useful indicator of the funds we use to acquire, upgrade, and maintain our physical assets, adjusted to reflect the depreciation and amortization of such assets. Net capital expenditure is not a presentation made in accordance with IFRS. While we review and conduct control procedures on net capital expenditure, net capital expenditure is unaudited and is not part of our accounting system. Net capital expenditure is not necessarily comparable to similarly titled measures used by other companies. As a result, you should not consider this measure in isolation from, or as a substitute for analysis of, any of the Issuer's financial measures determined in accordance with IFRS.

### **Network Sales and Like-for-Like Network Sales**

We also present network sales and like-for-like network sales growth in this Offering Memorandum. Network sales include all optical and hearing aid sales generated by the stores bearing our various banners (including franchised stores and directly-owned stores) as well as online sales. Network sales as reported by our franchisees do not reflect financial information of the Issuer itself, but rather are based on reported monthly statements prepared by our franchisees in accordance with the provisions of our franchise agreements. While we review and conduct control procedures on network sales figures, network sales are unaudited and are not part of our accounting system. Due to certain changes in our

scope of consolidation, our network sales data may not be entirely comparable. For example, given the sale of Optimil, a discount banner in Spain, in October 2018 (as discussed above), network sales for Spain are presented herein exclusive of the Optimil banner for the fiscal years ended July 31, 2018 and 2019. Network sales are not an audited figure and therefore investors should not place undue reliance on network sales.

Like-for-like network sales correspond to sales generated by stores which were open throughout the periods under review, based on a full fiscal year, and which did not undergo any substantial changes during such periods (such as construction or refurbishment work with a duration of more than one month), in order for sales performance in a period to be comparable to that of the prior period. The calculation of like-for-like network sales does not take store closures in connection with COVID-19 into account. Like-for-like network sales are calculated at constant exchange rates (applying the prior year's exchange rates to the current year), as a very small portion of network sales are currently exposed to currency risk. Like-for-like network sales growth has not been adjusted based on the potential impact on network sales resulting from the different number of working days between two periods. The growth in like-for-like network sales for a given period corresponds to the increase in sales in stores which were open throughout the entire relevant period under consideration and the entire prior year and for which no substantial changes (such as construction or refurbishment work with a duration of more than one month) or closures have occurred during the period under consideration.

See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key factors affecting our results of operations—Network sales*" and "*Risk Factors—Risks related to our franchise activities—We rely on franchisee's accurate reporting of their sales as a key performance indicator and the basis of calculation of fees owed by franchisees*".

## **Rounding**

Certain figures contained in this Offering Memorandum, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this Offering Memorandum may not conform exactly to the total figure given for that column or row.

## **Industry and Market Data**

This Offering Memorandum contains information about our markets and our competitive positions, including information about the size of our markets and our position in those markets. Certain of the information set forth in this Offering Memorandum has been derived from external sources. Other than the estimations and analyses carried out by us and unless otherwise indicated, the facts and information on which we base certain statements in this Offering Memorandum are from: (i) market studies carried out at our request in 2021 by Xerfi ("**Xerfi**"), (ii) recent general market and industry studies and statistics obtained from other independent third-party market consultants and professional data providers including, but not limited to, Arcane Research ("**Arcane**"), DBK Observatorio Sectorial ("**DBK**"), Gallileo Business ("**Gallileo**"), Growth from Knowledge ("**GfK**") and Strategy with Vision ("**SWV**"), (iii) professional associations, government organizations and international organizations, such as IGAS (Inspection générale des affaires sociales), DREES (Direction de la recherche, des études, de l'évaluation et des statistiques), ROF (Rassemblement des Opticiens de France), UNSAF (Syndicat National des Audioprothésistes), SNITEM (Syndicat National de l'Industrie des Technologies Médicales), EuroTrak (hearing aids) and the International Monetary Fund and (iv) publicly-available information, including information from our competitors, interviews and visits carried out by experts and market participants, secondary market analyses and operating and financial information provided by us. To our knowledge, this information has been faithfully reproduced and no fact has been omitted which would render the information provided inaccurate or misleading.

Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but some of the information may have been derived from estimates or subjective judgments or may have been subject to limited audit or validation. While we believe this market data and other information to be accurate and correct, we have not independently verified it. The projections and other forward-looking statements in this Offering Memorandum are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Further, such estimates or judgments, particularly as they relate to expectations about our market and industry, involve risks and uncertainties and are subject to change based on various factors, including those discussed under "*Risk Factors*" and "*Forward-Looking Statements*" elsewhere in this Offering Memorandum.

We believe that the information contained in the sources used herein has been obtained from sources that are reliable, but there can be no assurance as to the accuracy or completeness of the included information. While we have taken reasonable actions to ensure that the industry and market data cited herein has been extracted accurately and used in its proper context, we have not independently verified any of the data from third-party sources or ascertained the underlying economic assumptions relied upon therein.

This Offering Memorandum also contains illustrations and charts derived from our internal information, which has not been independently verified unless specifically indicated.

We own or have rights to certain trademarks or trade names that we use in conjunction with the operation of our business. Each trademark, trade name or service mark of any other company appearing in this Offering Memorandum belongs to its respective holder.



## Certain Definitions

The following terms used in this Offering Memorandum have the meanings assigned to them below (unless the context requires otherwise):

<b>"3AB Optique Développement" and "3ABOD"</b> .....	means 3AB Optique Développement, a <i>société par actions simplifiée à associé unique</i> , incorporated under the laws of France and a wholly-owned indirect subsidiary of the Issuer and the issuer of the Existing Notes, with its registered office located at 11, rue d'Argenson 75008 Paris France and registered with the commercial and companies register of Paris under number 488 863 358 R.C.S. Paris;
<b>"3AB Optique Développement Proceeds Loan"</b> .....	means the proceeds loan from the Issuer to 3AB Optique Développement in a maximum principal amount of approximately €347.2 million;
<b>"3ABOE"</b> .....	means 3ABOE, a <i>société par actions simplifiée</i> , incorporated under the laws of France and a wholly-owned indirect subsidiary of the Issuer, with its registered office located at 11, rue d'Argenson 75008 Paris France and registered with the commercial and companies register of Paris under number 488 935 552 R.C.S. Paris;
<b>"Afflelou", "the Group", "we", "our" and "us"</b> .....	unless otherwise indicated, collectively refer to the Issuer and its direct and indirect subsidiaries;
<b>"Agents"</b> .....	means collectively, the Paying Agents, the Transfer Agents, the Calculation Agent, the Security Agents, the Registrars and the Listing Agent, each as defined herein or identified on the back cover of this Offering Memorandum;
<b>"Agreed Security Principles"</b> .....	means the agreed security principles annexed to the Indentures as summarized under the " <i>Description of the Senior Secured Notes—Security</i> " and " <i>Description of the Senior Subordinated Notes—Security</i> ", as interpreted and applied in good faith by the Issuer;
<b>"Alain Afflelou Franchiseur"</b> .....	means Alain Afflelou Franchiseur, a <i>société par actions simplifiée à associé unique</i> , incorporated under the laws of France and a wholly-owned indirect subsidiary of the Issuer, with its registered office located at 11, rue d'Argenson 75008 Paris France and registered with the commercial and companies register of Paris under number 304 577 794 R.C.S. Paris;
<b>"Alain Afflelou Franchiseur Proceeds Loan"</b> .....	means the proceeds loan from 3AB Optique Développement to Alain Afflelou Franchiseur in a maximum principal amount of approximately €30.0 million;
<b>"Alain Afflelou International" or the "Luxembourg Guarantor"</b> .....	means Alain Afflelou International S.A., a <i>société anonyme</i> , incorporated under the laws of Luxembourg and a wholly-owned indirect subsidiary of the Issuer, with its registered office located at 26,

	rue Glesener, L-1630 Luxembourg, Grand-Duchy of Luxembourg and registered with the Luxembourg register of commerce and companies under number B58334;
"BeLux" .....	means Belgium and Luxembourg;
"Calculation Agent" .....	means Elavon Financial Services DAC;
"Clearstream" .....	means Clearstream Banking, S.A.;
"Collateral" .....	the Issue Date Collateral and the Post-Issue Date Collateral, collectively;
"EURIBOR" .....	means the Euro Interbank Offered Rate;
"euro", "EUR" or "€" .....	refers to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time;
"Euroclear" .....	refers to Euroclear Bank SA/NV;
"European Economic Area" or "EEA" .....	means the European Union, Iceland, Norway and Liechtenstein;
"European Union" or "EU" .....	means an economic and political union of 27 Member States, which are located primarily in Europe;
"Eurozone" .....	means the Member States of the European Union that have adopted the euro as their common currency and sole legal tender;
"Existing Fixed Rate Notes" .....	means the €250.0 million aggregate principal amount of 4.00% senior secured fixed rate notes due 2023 issued by 3AB Optique Développement and guaranteed by the Issuer and certain subsidiaries of 3AB Optique Développement, which will be redeemed in full in connection with the Transactions;
"Existing Floating Rate Notes" .....	means the €165.0 million aggregate principal amount of senior secured floating rate notes due 2023 issued by 3AB Optique Développement and guaranteed by the Issuer and certain subsidiaries of 3AB Optique Développement, which will be redeemed in full in connection with the Transactions;
"Existing Notes" .....	means, collectively, the Existing Fixed Rate Notes and the Existing Floating Rate Notes;
"Existing Notes Indenture" .....	means the indenture dated October 17, 2017 pertaining to the Existing Notes, as amended, restated or otherwise modified or varied from time to time;
"Existing Revolving Credit Facility" .....	means the revolving credit facility made available under the Existing Revolving Credit Facility Agreement;
"Existing Revolving Credit Facility Agreement" .....	the super senior revolving credit agreement entered into on October 6, 2017, among, <i>inter alios</i> , the Issuer, the lenders specified therein, Crédit Agricole

	Corporate and Investment Bank, as agent and U.S. Bank Trustees Limited, as security agent, as amended, restated or otherwise modified or varied from time to time;
"French Guarantors" .....	means 3AB Optique Développement, Alain Afflelou Franchiseur, 3ABOE, LSFA and L'Opticien Afflelou
"Guarantors" .....	means the Issue Date Guarantors and the Post-Issue Date Guarantors, collectively;
"GDPR" .....	Regulation (EU) no. 2016/679;
"Holding AA-OC" .....	means Holding AA-OC, a private limited liability company ( <i>société à responsabilité limitée</i> ) incorporated under the laws of Luxembourg, with its registered office located at 26, rue Glesener, L-1630 Luxembourg, Grand-Duchy of Luxembourg and registered with the Luxembourg register of commerce and companies under number B 180923;
"Holding AA & Fils" .....	means Holding AA & Fils, a private limited liability company ( <i>société à responsabilité limitée</i> ) incorporated under the laws of Luxembourg, with its registered office located at 26, rue Glesener, L-1630 Luxembourg, Grand-Duchy of Luxembourg and registered with the Luxembourg register of commerce and companies under number B 180682;
"IFRS" .....	means International Financial Reporting Standards, as adopted by the European Commission for use in the European Union;
"IGAS" .....	means the French <i>Inspection générale des affaires sociales</i> ;
"Indentures" .....	means the indentures to be dated the Issue Date and governing the Notes, by and among, <i>inter alios</i> , the Issuer, the relevant Trustee and the relevant Agents, as amended from time to time;
"Initial Purchasers" .....	means, collectively, Morgan Stanley Europe SE, BNP Paribas and Crédit Agricole Corporate and Investment Bank;
"ISIN" .....	means International Securities Identification Number;
"Issue Date" .....	means the date of issuance of the Notes;
"Issue Date Collateral" .....	means collateral consisting of (i) pledges of certain securities accounts relating to all securities issued by or held in 3AB Optique Développement, Alain Afflelou Franchiseur, L'Opticien Afflelou, 3ABOE and Lion / Seneca France Audio, (ii) pledges of certain bank accounts of the Issuer and the Issue Date Guarantors and (iii) pledges of certain intercompany receivables owed to the Issuer and the Issue Date Guarantors, collectively, which will be granted on or around the Issue Date; the Issue Date Collateral will also secure the New Revolving Credit Facility and

	certain hedging obligations, if any, on a super senior basis pursuant to the New Intercreditor Agreement; see " <i>Description of the Senior Secured Notes—Security</i> " and " <i>Description of the Senior Subordinated Notes—Security</i> ";
"Issue Date Guarantors" .....	means 3AB Optique Développement and Alain Afflelou Franchiseur, collectively;
"Issuer" .....	means Afflelou, a <i>société par actions simplifiée</i> , incorporated under the laws of France and the issuer of the Notes, with its registered office located at 11, rue d'Argenson 75008 Paris France and registered with the commercial and companies register of Paris under number 751 095 712 R.C.S. Paris;
"Lion / Seneca Lux 2" .....	means Lion / Seneca Lux 2 S.A., a <i>société anonyme</i> incorporated under the laws of Luxembourg, with its registered office located at 8, rue Lou Hemmer, L-1748 Senningerberg, Grand-Duchy of Luxembourg and registered with the Luxembourg register of commerce and companies under number B 169596;
"Listing Agents" .....	means Walkers Listing Services Ltd.;
"L'Opticien Afflelou" .....	means L'Opticien Afflelou, a <i>société par actions simplifiée à associé unique</i> , incorporated under the laws of France and a wholly-owned indirect subsidiary of the Issuer, with its registered office located at 11, rue d'Argenson 75008 Paris France and registered with the commercial and companies register of Paris under number 514 266 675 R.C.S. Paris;
"L'Opticien Afflelou Proceeds Loan" .....	means the proceeds loan from 3AB Optique Développement to L'Opticien Afflelou in a maximum principal amount of approximately €20.0 million;
"LSFA" .....	means Lion / Seneca France Audio, a <i>société par actions simplifiée à associé unique</i> , incorporated under the laws of France, the franchisor entity for the hearing aid business and a wholly-owned indirect subsidiary of the Issuer, with its registered office located at 11, rue d'Argenson 75008 Paris France and registered with the commercial and companies register of Paris under number 794 137 737 R.C.S. Paris;
"Member State" .....	means a member state of the European Union;
"New Intercreditor Agreement" ....	means the intercreditor agreement to be dated on or about the Issue Date among, <i>inter alios</i> , the Issuer, the Guarantors, the Security Agents, the Trustees and the other parties named therein, as amended, restated or otherwise modified or varied from time to time;
"New Revolving Credit Facility" ...	means the revolving credit facility made available under the New Revolving Credit Facility Agreement

	to be entered into on or about the Issue Date;
<b>"New Revolving Credit Facility Agreement"</b> .....	means the super senior revolving credit agreement among, <i>inter alios</i> , the Issuer and the other guarantors party thereto, the lenders specified therein, Crédit Agricole Corporate and Investment Bank, as agent and U.S. Bank Trustees Limited, as security agent, pursuant to which the New Revolving Credit Facility is made available, as amended, restated or otherwise modified or varied from time to time;
<b>"Notes"</b> .....	means the Senior Secured Notes and the Senior Subordinated Notes, collectively;
<b>"Notes Proceeds Loans"</b> .....	means the 3AB Optique Développement Proceeds Loan, the Alain Afflelou Franchiseur Proceeds Loan and the L'Opticien Afflelou Proceeds Loan, collectively;
<b>"Offering"</b> .....	means the offering of the Notes hereby;
<b>"Paying Agents"</b> .....	means Elavon Financial Services DAC;
<b>"PGE Loans"</b> .....	means Alain Afflelou Franchiseur's aggregate €30 million French government-backed loans from BNP Paribas, Crédit Agricole Corporate and Investment Bank, Crédit Agricole Île-de-France, Crédit du Nord and Crédit Industriel et Commercial, which were drawn for one year in July 2020, and renewable for a maximum of five years; amounts drawn under the PGE Loans will be repaid and cancelled in connection with the Refinancing;
<b>"Post-Issue Date Collateral"</b> .....	means collateral consisting of (i) all shares issued by or held in Alain Afflelou International and (ii) pledges of certain bank accounts of the Post-Issue Date Guarantors, collectively, which will be granted within 60 days of the Issue Date; the Issue Date Collateral will also secure the New Revolving Credit Facility and certain hedging obligations, if any, on a super senior basis pursuant to the New Intercreditor Agreement; see " <i>Description of the Senior Secured Notes—Security</i> " and " <i>Description of the Senior Subordinated Notes—Security</i> ";
<b>"Post-Issue Date Guarantors"</b> .....	means Alain Afflelou International, 3ABOE, LSFA and L'Opticien Afflelou, collectively;
<b>"Refinancing"</b> .....	means the redemption and repayment in full of the Existing Notes, the cancellation in full of the Existing Revolving Credit Facility, the repayment of the PGE Loans and the entering into of the New Revolving Credit Facility Agreement;
<b>"Registrars"</b> .....	means Elavon Financial Services DAC;
<b>"Security Agent"</b> .....	means U.S. Bank Trustees Limited, as security agent under each of the Indentures;

<b>"Security Documents"</b> .....	means the agreements creating security interests over the Collateral, as described under " <i>Description of the Senior Secured Notes—Security</i> " and " <i>Description of the Senior Subordinated Notes—Security</i> ";
<b>"Senior Secured Notes"</b> .....	means the €410.0 million aggregate principal amount of        % senior secured notes due 2026 offered hereby;
<b>"Senior Subordinated Notes"</b> .....	means the €75.0 million aggregate principal amount of senior subordinated floating rate notes due 2027 offered hereby;
<b>"Shareholder Bonds"</b> .....	means the shareholder convertible bonds which were issued by the Issuer and are held by Lion / Seneca Lux 2 and Holding AA-OC; the Shareholder Bonds are convertible into ordinary shares of the Issuer; the Shareholder Bonds accrue pay-in-kind interest, mature six months after the maturity date of the Senior Subordinated Notes, represent subordinated obligations of the Issuer and will be expressly subordinated by their terms and by the terms of the New Intercreditor Agreement to the Notes and the New Revolving Credit Facility, as further described in " <i>Description of Certain Other Indebtedness and Other Arrangements—Shareholder Bonds</i> " and " <i>Description of Certain Other Indebtedness and Other Arrangements—New Intercreditor Agreement</i> ";
<b>"Shareholder Bond Reimbursement"</b> .....	means the partial repayment, on the Issue Date by the Issuer to the holders of the Shareholder Bonds, of a portion of the Shareholder Bonds for a total of €135.0 million;
<b>"Sponsors"</b> .....	means Lion Capital LLP, Amboise Partners and Caisse de Dépôt et Placement du Québec (CDPQ) and certain of their respective affiliates;
<b>"SWV"</b> .....	means Strategy with Vision, an eyecare and eyewear consultancy and market research group;
<b>"Transactions"</b> .....	means, collectively, (i) the Offering and the application of the gross proceeds therefrom, (ii) the Refinancing, (iii) the Shareholder Bond Reimbursement and (iv) the payment of commissions, fees and expenses incurred in connection the Offering, the Refinancing and the Shareholder Bond Reimbursement;
<b>"Transfer Agents"</b> .....	means Elavon Financial Services DAC;
<b>"Trustee"</b> .....	means U.S. Bank Trustees Limited, as trustee under each of the Indentures;
<b>"U.S. Exchange Act"</b> .....	means the U.S. Securities Exchange Act of 1934, as amended; and

**"United States" or "U.S."** ..... means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.

## Exchange Rates

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", "USD" and "\$" are to the lawful currency of the United States of America.

The following table sets forth for the periods indicated, the period high, period low, period average and period-end Bloomberg Composite Rates expressed in 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 average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year. The average rate for a month, or for a partial month, means the average of the daily Bloomberg Composite Rate during that month, or partial month, as the case may be.

	High	Low	Average	Period End
<b>Year ended July 31:</b>			(\$ per €1.00)	
2016.....	1.1527	1.0384	1.1034	1.0547
2017.....	1.2026	1.0427	1.1391	1.2022
2018.....	1.2492	1.1245	1.1782	1.1452
2019.....	1.1533	1.0903	1.1183	1.1229
2020.....	1.2289	1.0667	1.1468	1.2225
2021 (through May 5, 2021).....	1.2300	1.1718	1.2029	1.1994
<b>Month:</b>				
July 2020 .....	1.1804	1.1229	1.1475	1.1791
August 2020 .....	1.1944	1.1749	1.1827	1.1944
September 2020 .....	1.1934	1.1619	1.1788	1.1722
October 2020.....	1.1874	1.1646	1.1770	1.1646
November 2020.....	1.1957	1.1628	1.1834	1.1954
December 2020.....	1.2289	1.2045	1.2070	1.2225
January 2021.....	1.2300	1.2075	1.2173	1.2132
February 2021 .....	1.2213	1.1961	1.2095	1.2080
March 2021 .....	1.2080	1.1718	1.1899	1.1750
April 2021 (through May 5, 2021).....	1.2118	1.1761	1.1924	1.1994

Our functional and presentational currency is the euro. The above rates may differ from the actual rates used in the preparation of the Issuer's financial information and other financial information appearing in this Offering Memorandum. The inclusion of these exchange rates is not meant to suggest that the euro amounts actually represent such U.S. Dollar amounts or that such amounts have been or could have been converted into U.S. Dollars at any particular rate, if at all.



## Summary

*This summary contains basic information about us and the Transactions, and highlights information contained elsewhere in this Offering Memorandum about the Transactions and our business, financial performance and prospects. This summary does not contain all of the information that may be important to you in deciding to invest in the Notes and it is qualified in its entirety by the more detailed information and financial statements included elsewhere in this Offering Memorandum. You should read the entire Offering Memorandum, including the sections entitled "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Industry" and "Business" as well as the financial statements and related notes contained in this Offering Memorandum before making an investment decision.*

### Overview

Founded by Mr. Alain Afflelou in Bordeaux in 1972, we are a leading optical product and hearing aid franchisor in Europe. We operate the largest French optical product franchise network in terms of both revenue and number of stores and the Alain Afflelou banner is the third-largest optical banner overall in terms of number of stores, with a 10% market share in 2019 (in terms of revenue, including VAT and excluding online sales) in a fragmented market that has historically included many independent retailers (according to SWV). In addition to our historical French market, we have a large and well-developed network Spain, our second core domestic market, where we had 336 stores as of January 31, 2021. In 2019, we operated the largest optical product franchise network in Spain (in terms of number of stores) and were the fourth largest optical retail chain, with a 7% market share in 2018 (in terms of revenue, including VAT and excluding online sales) (according to SWV). As of January 31, 2021, France, Spain and Other countries, our three geographic segments, represented 67%, 23% and 10%, respectively, of our stores. The retail sale of optical products and hearing aids represented 94% and 6%, respectively, of our network sales for the six months ended January 31, 2021.

Building on our significant market share in our core geographic markets, France and Spain, we have grown our store networks to 1,435 stores as of January 31, 2021. Our like-for-like growth is in part the result of market growth at a CAGR of 1.2% and 1.8% in France and Spain, respectively, from calendar year 2015 to calendar year 2019. In addition, for the same period, network sales for the Alain Afflelou banner have grown at a CAGR of 4.0% and 2.8%, in France and Spain respectively, and outperformed the market by an average of 2.8% and 1.0%, in France and Spain respectively, per year as a result of our brand power and our premium store locations, mainly in city centers and large shopping malls. Our intensive and long-term marketing and advertising efforts and campaigns (including in partnership with key brand ambassadors) have driven the success and power of our brand. In our two main secondary markets, Belgium and Switzerland, network sales for the Alain Afflelou banner grew at a CAGR of 6.4% and 7.3%, respectively, between 2015 and 2019, versus a CAGR of 1.6% for the market as a whole in each of those geographies.

We have been strategically adapting our store perimeter in recent years, which has led to an increase in profitability over the period from 2016 to 2019. As mentioned below, we rely on our strong brand and large network of franchisees. Each additional store that we open (either in our directly-owned stores network or in our franchisee store network) allows us to benefit from economies of scale by spreading our fixed costs over a broader base of stores and sales potential. Such fixed costs include, among other things, administrative fees and structural costs, franchisor and technical support costs and warehousing and inventory management costs, as well advertising and marketing costs relating to the promotion of our brand (which we believe will in turn benefit a larger number of stores and generate a greater volume of sales).

The essential, healthcare nature of our products makes them largely non-discretionary purchases that may, at best, be sometimes delayed but rarely deferred completely. Most of our products are purchased by our customers as a result of a prescription or a medical need. For example, for the six months ended January 31, 2021, 93% of our network sales were generated on sales of glasses (representing 86% of our total network sales) or hearing aids (representing 7% of our total network sales) that were purchased with a prescription. According to 2020 data from Gallileo, 83% of customers indicated their reason for purchasing new glasses was the result of a medical need, as compared to 16% who indicated it was based on personal, non-health-related preferences. In addition, according to 2020 data from Arcane, 89% of customers surveyed indicated that their last eyewear purchase was for prescription glasses. These dynamics create resilience and predictability in our sales as customers and replace prescription products in regular and fairly short intervals (especially in countries where we benefit from a favorable regulatory framework whereby the majority of prescription products are reimbursed by social security and healthcare insurance providers, as is the case in France, our main market). For example, as of 2019, prescription glasses are replaced on an estimated average of 3.9 years in Spain and 2.2 years in France, according to SWV. The rest of our sales result from discretionary purchases, such as sunglasses and optical and hearing aid accessories. Even in times of economic difficulty or pandemics (such as the ongoing COVID-19 pandemic), customers continue to buy and order glasses while our stores (which are classified as "essential" businesses, reflecting the healthcare-nature of the products we sell) remain open or will defer their purchase for only a short period of

time. As a demonstration of this effect, after COVID-19-related confinement periods, we have observed a rebound in sales, which generally outperform the same period in prior years, as customers catch up on overdue purchases for prescription glasses, lenses or hearing aids.

Our business and sales volume has been impacted by the COVID-19 pandemic, but our business has shown itself to be resilient. The classification of our stores as essential businesses has reinforced the importance of opticians and audiologists during a severe public health crisis. We have taken several measures to adapt to the COVID-19 pandemic and related governmental restrictions while safely and effectively serving our customers, including by implementing health and safety measures and changes to our commercial operations, delivering continued customer care (even during strict confinement periods) and accelerating our digital transformation and the development of our e-commerce platform. Despite the closure of some of our stores located in large shopping malls (pursuant to local and national requirements), the decrease in sales from these closed stores has been partially compensated by increased, redirected sales in other stores (for example, in city centers) as customers shift their buying habits to buy or replace their prescription glasses from another of our stores. In that regard, we have used our digital platform to assist customers, by expanding and accelerating the transformation and the range of our online services we provide and which have been heavily relied upon during the COVID-19 pandemic and related confinements, as evidenced by significant expansion in the use of online appointments and redirection of customer traffic from closed to open stores, as well as by making use of our customer relationship management system, which give us the ability to better track customer behavior and forecast business and activities for our franchisees.

We operate in highly attractive markets that are differentiated from traditional retail markets due to the largely non-discretionary and healthcare-related nature of optical and hearing aid expenses and a supportive healthcare reimbursement system in France. We believe that both the optical product and hearing aid markets are supported by positive structural drivers, including demographic trends, changing lifestyles, technological innovations, product penetration dynamics and value-adding product add-ons.

In addition, our signature products are a key value differentiator, generating customer interest and good margins for us and our franchisees. The success of our franchisee-centered business model is demonstrated by the over-performance of our franchisees as compared to the wider market: average revenue per store in our Alain Afflelou banner in France in 2019 was €0.9 million, which is approximately 1.6 times the retail market average and approximately 4.0 times the independent and smaller marketing group retailer store average, and average revenue per store in our Alain Afflelou banner in Spain in 2019 was €0.4 million, which is approximately 2.1 times the retail market average and approximately 4.8 times the independent retailer store average, demonstrating the added value we offer to current and potential franchisees, which helps us retain current and attract new franchisees.

Our strategy is based on strong branding, exclusive products, multi-possession, payment solutions and positive customer experience, based on a multi-banner and multi-offer approach that reaches a variety of price points and target customers. The Alain Afflelou umbrella brand is positioned as a generalist optical product and hearing aid retailer and includes the highly recognizable "Alain Afflelou" optical banner as well as the "Alain Afflelou Acousticien" hearing aid banner. We also operate in the discount activity through the Optical Discount banner mainly in France. Our banners offer a wide range of optical and hearing aid products, including our exclusive products, which consist of (i) signature label frames and sunglasses bearing the "Afflelou" signature; (ii) frames and sunglasses under exclusive licenses; and (iii) other exclusive brands and third-party names.

We connect with and understand consumers in our markets through our communications and marketing efforts, which have created a powerful and enduring brand image, as evidenced by our high brand awareness with customers in our main markets. Among optical retailers, we ranked first in terms of spontaneous and assisted awareness in France, first in terms of spontaneous awareness in Spain and first in assisted awareness in Wallonia (Belgium), and ranked second in assisted brand awareness among hearing aid retailers, according to various market studies conducted in 2018 and 2019. We also connect with consumers via our online presence. We began developing our online presence in 2012 and have progressively been incorporating our online initiatives under a unified digital umbrella. Currently we maintain websites in the languages of the principal countries where our banners operate. Additionally, in September 2016, we acquired two online pure players, Happyview.fr and Malentille.com. We have incorporated the activities of Happyview.fr into our French Afflelou website. Malentille.com continues to serve customers on its own platform with back-end integration with the Group's online activities. We continue to explore ways to further expand our online presence and e-commerce activities.

Our principal activity is to act as a franchisor, licensing the use of our brand and banners to franchisees and providing them with the right to trade under one of our banners and implement our value proposition through our commercial offers. Our directly-owned stores support our principal franchisor activity by (i) serving as flagship locations in and around Paris and other key strategic locations; (ii) helping to test new concepts; and (iii) facilitating store network management.

Our services as franchisor are aimed at helping franchisees grow their sales by fostering a strong brand image, driving customers to our stores through the design and promotion of our commercial offers and facilitating franchisee operations via a number of support services. Our scale and expertise yield tangible benefits to our franchisees, allowing us to offer (i) commercial support and innovation through new commercial offers and through high-impact national and local communication campaigns that create high brand awareness; (ii) access to central listing and purchasing unit services that lower costs for our franchisees; (iii) dedicated services that enhance store attractiveness, including assistance with location selection and store design; (iv) training programs designed to enhance sales performance; and (v) other general support functions, including legal, human resources and recruiting assistance, as well as assistance with joining care networks in France.

Our franchise model also offers tangible benefits to our suppliers by giving them access to our global network of stores. We also provide suppliers with distribution services, including a central listing and payment unit that allows suppliers to list and offer their products to our franchisees, while offering the benefit of having a single counterparty for commercial negotiations and payments. We also support suppliers by actively promoting their innovative products to our franchisees, as well as through sales in our directly-owned stores.

Our franchise model combines: (i) revenue based on network sales of our franchisees (24.6% of our revenue in the six months ended January 31, 2021), (ii) revenue based on purchases (47.4% of our revenue in the six months ended January 31, 2021) and (iii) revenue generated by sales to end-customers in our directly-owned stores (28.0% of our revenue in the six months ended January 31, 2021) and through our websites. Revenue based on network sales includes, in particular: entry fees, franchise fees and communication fees, as well as other fees charged for services that we provide to our franchisees. Revenue based on purchases includes, in particular: trading as well as central listing and payment unit fees and licensing fees and revenue from sales of our exclusive products. Revenue generated by our directly-owned stores mainly includes sales made directly to end-customers in those directly-owned stores, as well as through our websites. This model provides us with revenue diversification.

Our main costs are related to the supply and production of products that we sell under our own brands or for which we have a license. For our exclusive frames, Okia, a company based in China, has long been our favored intermediary. Okia is not a manufacturer but sources its products from a network of independent factories in Asia and allows us to benefit from optimal production conditions through this unique commercial relationship.

### **Competitive Strengths**

#### ***We operate in resilient and predictable largely non-discretionary healthcare markets that benefit from established structural growth dynamics***

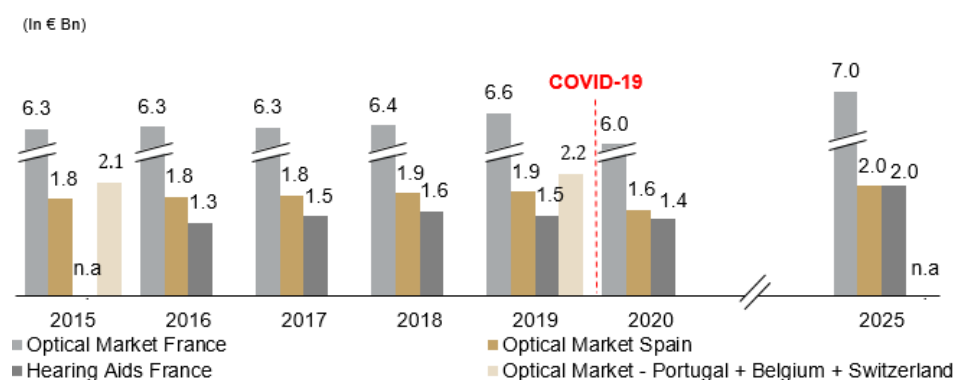
Our markets are attractive and growing, are differentiated from traditional retail markets by the largely non-discretionary and healthcare-related nature of most of the optical and hearing aid products we sell, which drives stability and predictability, and are underpinned by established structural growth dynamics, including growing and aging populations that are expected to drive increased demand for both optical and hearing aid products in coming years.

Consumers replace their glasses, contact lenses and hearing aids multiple times over their lifetime and for a variety reasons, including for health reasons, such as changes in vision and hearing levels, as well as due to loss, damage, improved technology and changing fashion trends and consumer preferences. These factors drive stable replacement cycles: for example, as of 2019, the estimated average replacement cycle for prescription glasses is 3.9 years in Spain and 2.2 years in France (as compared to 3.8 years and 2.4 years in 2012, respectively), according to SWV. As discussed further below in "*We sell essential healthcare-related products, most of which represent non-discretionary spending by our customers, making our business resilient and predictable*", most of our products are purchased because a customer has a medical need, which distinguishes these products from traditional retail and consumer goods and creates relative resilience and predictability in our markets.

The market for optical products in our core markets is large: in 2020, 54% of the French population required vision correction, according to SWV. These markets are also expanding as their populations age: SWV estimates that, by 2025, 46.7% of the French population and 52.7% of the Spanish population will be over the age of 45 and that 56% of each of the French population and 53% of the Spanish population will wear prescription glasses (as compared to 54% and 52% in 2020, and 51%, respectively, and 48% in 2012, respectively). Because eye and ear conditions, such as farsightedness and age-related hearing loss, usually develop after the ages of 40 and 55, respectively, and generally become more common and serious with age, the number of potential customers should increase as a consequence of the aging of the population in the countries in which we operate, with similar tailwinds benefitting both optical products and hearing aids.

The optical product and hearing aid markets are also supported by other positive structural demographic trends and other growth levers, including changing lifestyles, technological improvements and product penetration dynamics. For example, we believe that evolving technology for corrective lenses and hearing aids, particularly improvements in multi-focal lenses and increasingly small microphones leading to smaller hearing aids, as well as shifting customer preferences as seen in increasing demand for custom lenses, leads consumers to replace old equipment and should contribute to increased average basket sizes over the mid- to long-term, which we expect to be further aided by favorable reimbursement dynamics in France, our key market.

As a result of these factors, the French optical products market grew at a compound annual growth rate ("CAGR") of 1.2% over the 2015 to 2019 period, from €6.3 billion to €6.6 billion, declining to €6.0 billion in 2020, which we believe was largely the result of the COVID-19 pandemic and the one-off negative impact of contraction driven by the 100% Santé changes, and is forecast to grow to €7.0 billion in 2025 (representing a CAGR of 0.7% over the 2019 to 2025 period), the Spanish optical products market grew at a CAGR of 2.0% over the 2015 to 2019 period, from €1.8 billion to €1.9 billion, declining to €1.6 billion in 2020, which we believe was largely the result of the COVID-19 pandemic, and is forecast to grow to €2.1 billion in 2025 (representing a CAGR of 1.3% over the 2019 to 2025 period), in each case according to SWV, and the French hearing aid market grew at a CAGR of 4.8% over the 2015 to 2019 period, from €1.2 billion to €1.5 billion, declining to €1.4 billion in 2020, which we believe was largely the result of the COVID-19 pandemic, and is forecast to grow to €2.0 billion in 2025 (representing a CAGR of 43.6% over the 2019 to 2025 period), according to GfK and SNITEM. The chart below shows the evolution of the optical markets in France, Spain and Portugal, Belgium and Switzerland and the hearing aid market in France for the calendar years presented, as well as projections for 2025.



Sources: Optical market of France and Spain as per SWV; hearing aid market of France as per GfK (2016-2019) and Xerfi (2020-2025); Belgium and Switzerland optical market as per SWV; optical market of Portugal as per DBK

We are seeing strong indications of an acceleration in the hearing aid market, particularly in France. Hearing aids have historically been an under-penetrated product class in our markets with only approximately 35% to 40% of people in France who need hearing aids being equipped, due in large part to historically prohibitive costs that have led patients to delay spending on the devices they need. We expect to see significant growth in the hearing aid market in France in the coming years, resulting from at least the partial correction of this historic under-penetration and further driven by the regulatory changes relating to RAC Zéro (the zero-cost to consumer offer under French regulation for hearing aids (since January 2021)) that have come into effect from January 2021, which make hearing aids significantly more affordable to those who need them. We believe that many people who require hearing aids in order to help them achieve normal levels of hearing have delayed these purchases due to the high cost of these products before the implementation of RAC Zéro as well as specifically in anticipation of the implementation of the RAC Zéro scheme. We expect to benefit from a "catchup effect" in hearing aid sales in the coming years as people become aware of and are able to benefit from the RAC Zéro changes.

Xerfi forecasts that the French population will grow at a CAGR of 0.3% per annum from 2020 to 2025 and forecasts that the population having hearing impairments will grow by 0.9% over the same period, mainly due to the growth of the population of people aged over 65 being forecast to grow at a CAGR of 0.9% over the same period. The French hearing aid market is characterized by lower penetration rates (estimated to be around 40% according to a 2018 EuroTrak study and may be as low as 35% according to Xerfi in 2020) as compared to over 95% for the French optical market. Hearing loss is an increasingly common and irreversible phenomenon that comes with aging and which is amplified by certain lifestyle choices, such as living in noisy environments or excessive use of headphones. The prevalence of hearing loss is positively correlated with the increasing population of people aged 65 and older (which is expected to grow from 20.5% in 2020 to 22.1% in 2025), as well as with increasing levels of noise pollution. It is estimated that more than a quarter of the population of people aged 65 and over have some degree of hearing loss. The recent

changes brought by 100% Santé are expected to increase the use of hearing aids. Xerfi estimates that the total population of people in France with a hearing impairment to be 6.9 million people in 2020, with only 40% being equipped, according to a 2018 EuroTrak study. Driven by the 100% Santé changes, Xerfi estimates that the proportion of people equipped will grow to 43% (3.1 million people) by 2025.

***We sell essential healthcare-related products, most of which represent non-discretionary spending by our customers, making our business resilient and predictable***

The healthcare-related nature of our products makes them largely non-discretionary purchases that may, at best, be sometimes delayed but rarely deferred completely. Most of our products are purchased because a customer has a medical need: for the six months ended January 31, 2021, 93% of our sales were generated on sales of glasses (86%) or hearing aids (7%) that were purchased with a prescription. According to 2020 data from Gallileo, 83% of customers indicated their reason for purchasing new glasses was due to need, as compared to 16% who indicated it was based on personal, non-health-related preference and, according to 2020 data from Arcane, 89% of customers surveyed indicated that their last eyewear purchase was for prescription glasses. These dynamics create resilience and predictability in our markets.

The COVID-19 pandemic has offered strong indications of this resilience: the rebound of our networks following the initial emergence of the COVID-19 pandemic, with 14.3% year-on-year growth in like-for-like network sales in the three months ended October 31, 2020, 10.0% year-on-year growth in like-for-like network sales in the six months ended January 31, 2021 and 25.1% year-on-year growth in Adjusted EBITDA in the first quarter of the current fiscal year (9.9% in the first half of the current fiscal year) demonstrates the largely non-discretionary nature of most of our products, as does year-on-year growth of 26.3% in like-for-like network sales in the six months ended January 31, 2021 in our hearing activity. We believe that even when certain of our stores have been closed due to COVID-19-related restrictions, the net result was that many purchases were either merely redirected to other stores in our network, rather than not being made or being deferred over the long-term, or were merely delayed until our stores reopened. As evidence of the latter, we observe a "catchup" effect whereby, when our stores reopen after COVID-19-related closures, we often see customers making purchases that they had been planning or waiting to make during such closures.

Additionally, measures aimed at curbing the spread of COVID-19 have evolved favorably for our industry in our core geographies. For example, since the second confinement in France, which began in November 2020, the sale of optical and hearing aid products has been deemed an "essential" service, in recognition of the non-discretionary healthcare needs addressed by these items, which has generally allowed our stores to remain open (where not otherwise limited by other restrictions that are not specific to the optical and hearing aid sectors, such as those currently in place for large shopping centers in France). This represents a significantly improved operating environment for our industry, as compared to the more restrictive and exceptional confinement measures imposed in France during the first wave of the COVID-19 pandemic in the spring of 2020, when our stores were generally limited to providing "emergency" services.

Finally, we believe that our franchisees have weathered the COVID-19 pandemic well overall. For example, we are observing that few of our franchisees are continuing to request payment deferrals in connection with COVID-19-related financial challenges and most are in the process of paying back previously-requested deferrals, which we believe is an indicator of their financial stability.

***We benefit from a highly-developed and supportive reimbursement system for healthcare-related products in our core French market***

Regulatory dynamics in France have historically been favorable to our business, as well as being stable over the long-term, which has further driven resilience and predictability in our French business. In addition, we believe that recent regulatory changes will be, on the whole, neutral for our optical business and beneficial for our hearing aids business.

For our business, the key benefit of the French health insurance reimbursement framework is that it has the overall effect of reducing the price sensitivity of our customers and coverage by the private segment of this framework is nearly total: in 2020, approximately 99% of the French population was covered by a private health insurance plan or CMU, according to Gallileo. While the French *public* health insurance system reimburses only approximately 4% of customers' optical expenses, the policies of French *private* health insurance companies (*organismes complémentaires d'assurance maladie*, known as "**OCAMs**") generally reimbursed at least 70% of such expenses in 2020, according to Gallileo.

The 100% Santé regulatory changes, including the RAC Zéro offer, have had the further effect of reducing customer price sensitivity as well as reducing out-of-pocket customer costs for both optical and hearing aid products, which we believe will drive sales going forward, particularly for our hearing aid products. With the full impact of RAC Zéro taking effect from January 2021, customers can now purchase hearing aids at zero out-of-pocket cost (as is already the case for optical products). According to a 2018 EuroTrak customer survey, people wait an average of three years between becoming aware of their hearing loss and purchasing hearing aids, while hearing aids are used for an average of six years before being replaced. We expect the

long-term impact of RAC Zéro to include motivating customers who previously deferred hearing aid purchases to make such purchases, particularly for customers who were deferring such purchases in anticipation of the RAC Zéro changes coming into effect.

***We are a deeply-entrenched optical and hearing aid market leader that benefits from high brand awareness***

We are a well-known and trusted leader in the optical and hearing aid markets in which we operate. The Alain Afflelou umbrella brand is positioned as a generalist optical and hearing aid retailer and includes our deeply-entrenched "Alain Afflelou" optical banner and our "Alain Afflelou Acousticien" hearing aid banner.

The Alain Afflelou banner benefits from high brand awareness across our main geographies, consistently ranking #1 in spontaneous and assisted awareness for optical retailers in France (as measured by Arcane, Galileo and Opinionway), as well as in Spain (as measured by Punto de Fuga), and #2 in French-speaking regions of Belgium (as measured by CSA). We believe that we are well-positioned to maintain this market-leading brand awareness as these markets grow and evolve.

We regularly receive awards for our offering and our customer service. We have also won a number of industry awards in both France and Spain, such as optical customer service provider of the year by the *Elu service client de l'année* (ESCDA) market survey, conducted by Viseo Customer Insights, in France for five years in a row (2017, 2018, 2019, 2020 and 2021), "*Óptica del año*" by Inma Stratmarketing for best optician in Spain in 2015, 2016, 2017 and 2018, "best franchise in shopping centre" by the Asociación Española de Centros Comerciales in 2018 and "foreign franchise with the best implantation in the Spanish market" by the Asociación Española de Franquicias in 2018, as well as for our television and video advertisements which customers easily recall. Some of our franchisees also won the award of best hearing aid and optical franchisee in France in 2018 and 2020 by the *Fédération des Réseaux Européens de Partenariats et de Franchise* (IREF).

We have a long history of developing successful marketing and branding concepts, offers and products, such as Tchín Tchín (second pair of glasses for €1, launched in 1999), NextYear (payment in installments over 12 to 24 months, launched in 2009) and Magic (innovative glasses with magnetic clips, launched in 2017), which we believe help us grow and maintain our high levels of brand awareness and keep our brand fresh and top of mind with new and potential customers. Where appropriate, we sometimes expand a brand concept across our product offerings, as we did when we brought our Tchín Tchín concept to our hearing aid banner in 2019.

***We are a leading European franchisor, with a proven business model that is founded on long-standing and strong relationships with franchisees and is positioned at the heart of the value chain***

We are one of the leading franchisors in the European optical product and hearing aid markets, with over forty years of experience partnering with our franchisees in our core markets (France and Spain) as well countries that border our core markets (Belgium, Luxembourg, Switzerland and Portugal) and satellite markets in the Middle East, Africa, Asia and South America, where we continue to grow strategically. Our franchise business is our core activity: as of January 31, 2021, our franchised store network included 1,435 stores, which generated network sales of €428.8 million in the six months ended January 31, 2021. During the same period and despite the COVID-19 pandemic, we succeeded in opening 34 stores across our network.

We have developed our successful franchise model, which has particular, historical strength in the optical product sector, by combining the power of our brands with commercial innovations and close relationships with franchisees and suppliers: we believe this model sets us apart from our competitors.

Since 2003, we have successfully taken this differentiated operating model, which we have developed and refined with decades of experience in our core geographical and product markets, and rolled it out to other countries, as seen by our success in building our networks in Spain, Belgium, Switzerland and Luxembourg, in particular. We have historically had good results in rolling this model out in countries with French-speaking populations but believe this model also works well in non-French speaking countries and regions, as shown by the strength of our network in Spain. Since 2011 (save for 2013 to 2016, during which period LSFA developed the hearing aid business in France outside of the Group), we have also rolled this model out in the hearing aid markets in France and Spain, demonstrating that it works well across complementary product groups as well as across strategically-selected geographies.

We operate the largest French optical product franchise network in terms of both revenue and number of stores and the Alain Afflelou banner is the third-largest optical banner overall in terms of number of stores, with a 10% market share (in terms of revenue, including VAT and excluding online sales) in a fragmented market that has historically included many independent retailers (according to SWV).

In addition to our historical French market, we have a large and well-developed network Spain, our second core domestic market, where we had 336 stores as of January 31, 2021. In 2019, we operated the largest

optical product franchise network in Spain in terms of number of stores) and were the fourth largest optical retail chain, with a 7% market share (in terms of revenue, including VAT and excluding online sales) (according to SWV).

In the hearing aid market, under our Alain Afflelou Acousticien banner, we have grown faster than the market average (57.4% over the 2016 to 2019 period, as compared to 9.3%, according to GfK) and held an approximately 3% market share in France in 2020 (in terms of network sales). We operate Alain Afflelou Acousticien with fundamentally the same sustainable business model as our successful Alain Afflelou banner, including as to how contributions and fees are paid from franchisees. As a result, we believe that, over the long-term, profit levels at Alain Afflelou Acousticien will eventually converge with and stabilize at levels comparable to our Alain Afflelou banner.

Our business model is mature and well-developed, with a controlled fixed cost base such that, when sales increase, we benefit from economies of scale that drive higher margins. In addition, our franchise model combines multiple sources of revenue from both franchisees (comprising franchise fees (entry fees and royalty fees) and communication fees, as well as wholesale activity revenue from the sale of exclusive own-branded products and central purchasing unit revenue) and suppliers (comprising central listing and payment fees and license royalties). This approach provides us with revenue diversification and attractive margins, as demonstrated by our 23.4% and 28.4% Adjusted EBITDA margin (Adjusted EBITDA as a percentage of revenue, on a pre-IFRS 16 basis) for the twelve and six months ended January 31, 2021, respectively. We also leverage our directly-owned store network to manage, support and develop our franchise business. Our directly-owned stores support our principal franchisor activity by serving as flagship locations in and around Paris and other key strategic locations, helping to test new concepts and facilitating store network management.

The success of our franchisee-centered business model is also demonstrated by the over-performance of our franchisees as compared to the wider market: average revenue per store in our Alain Afflelou banner in France in 2019 was €0.9 million, which is approximately 1.6 times the retail market average and approximately 4.0 times the independent and smaller marketing group retailer store average and average revenue per store in our Alain Afflelou banner in Spain in 2019 was €0.4 million, which is approximately 2.1 times the retail market average and approximately 4.8 times the independent retailer store average, demonstrating the added value we offer to current and potential franchisees, which helps us retain current and attract new franchisees.

The success of our business model is founded on our place at the center of the relationships among our suppliers, franchisees and customers, which brings value to each of these groups. For example, our scale and expertise generates multiple synergies and offers tangible benefits to our franchisees. For example, we provide our franchisees with commercial support and innovation through new commercial offers, including high-impact national and local advertising campaigns that create high brand awareness, access to central purchasing unit services that lower their costs, dedicated services that enhance store attractiveness (including assistance with location selection and store design), training programs designed to enhance sales performance and other general support functions, including human resources, recruiting assistance and financing assistance. Our signature products are another key value differentiator for our franchisees, generating customer interest, with affordable products that offer good margins, which benefit our franchisees as well as us.

We support our franchisees with long-term commitments to their success, as shown by how we help our franchisees adapt to change, such as through our Adelante financial support program (which we believe is a differentiator that few of our competitors are able to match), our Elite program (which is designed to assist franchisees that are underperforming), assistance with store refurbishments and support for adding hearing aid corners that make optical stores more attractive. We are also there to help our franchisees face exceptional challenges: throughout the COVID-19 pandemic, we have supported our franchisees in a variety of ways, including offering solutions that allowed them to defer an aggregate of €30 million in franchisee payables, in addition to €15 million of bank loans that we guaranteed. Repayments on these deferred amounts have been steady thus far and are expected to generate exceptional cash flows in the second half of the current fiscal year.

Our franchise model also offers tangible benefits to our suppliers by giving them access to our large store network. We provide suppliers with distribution services, such as access to our central listing and payment unit that allows suppliers to list and offer their products to our large network of franchisees. We also centralize payments from our networks to obtain optimal terms and facilitate credit management, to the benefit of these suppliers. We further support suppliers by jointly developing and actively promoting their innovative products to our franchisees, as well as through sales in our directly-owned stores. We believe that this value-added approach creates stable and reliable relationships with our suppliers, which in turn drives cost-efficiency for us and makes us a more attractive partner to our franchisees.

***Our multi-dimensional business model is data-driven, flexible and tailored to our customers' needs***

We leverage our historical strength in the French and Spanish optical product markets and employ a generalist concept that is primarily focused on city centers, while strategically diversifying our offering to respond to changing dynamics in our markets. To that end, we have developed (i) a multi-channel concept that is supported by the execution of a digital transformation plan that helps us tailor our customers' experiences to their needs and preferences, while expanding our digital presence with "click-and-mortar" functionality, (ii) multiple store formats that respond to varied customer preferences while actively managing our store networks to adapt to evolutions in our markets and (iii) a complementary hearing aid business, grounded in standalone franchised stores as well as value-additive hearing aid corners within existing optical stores. We believe that this approach and these developments help us better serve our customers and our franchisees and in turn makes us an attractive partner for our suppliers.

- ***Multi-channel, digital evolution of our business model***

In recent years, we have invested deeply in digital transformation focused on developing forward-thinking, multi-format and fully-integrated customer relationship management ("**CRM**") tools, which make valuable data available to us that help us understand our customers and tailor our offerings to meet and anticipate their needs. We made investments of approximately €3.0 million in these tools in the six months ended January 31, 2021. We are currently very well-equipped to gather and analyze data from our franchisees, websites and directly-owned stores: most of our franchisees provide us with sell-out data, which we use to understand customer behavior and to adjust our purchases based on evolutions in customer preferences. We believe that we are well-positioned to pivot from the investment phase of our digital transformation and CRM plan to a growth phase that puts this data to work for us and for our franchisees.

In our core markets, prescription healthcare-related products require in-store appointments and in-person consultations with licensed opticians and audio prosthetists. As these in-person consultations cannot be provided online, we believe our extensive store network in France and Spain provides us with a significant advantage over disintermediated online retail platforms.

We also continue to develop our online tools to provide our customers with an integrated shopping experience that is complementary to our store networks, to the benefit of our franchisees as well as us. Our websites offer inspiration to our customers, who can browse, select and order frames online for delivery in a store, where their glasses are fitted and lenses are mounted by our trusted professionals. By allocating online-generated sales to specific stores, we increase store traffic and limit cannibalization, to the benefit of our franchisees.

We are also increasingly promoting the use of online bookings for in-store appointments, which reduces wait times, improves store efficiency and also helps to drive traffic into stores, with significant customer uptake on this value-added service in past year. In January 2021, approximately 25,000 in-store appointments (21% of total in-store appointments and a 15% increase from January 2020) were booked online, as compared to approximately 200 in January 2020. This tool helps us to track and forecast flows in our business and to re-direct traffic as needed, creating more predictability for our stores and letting us offer a more personal experience to our customers.

In recent years, we have made successful acquisitions in the online space, with the purchase of Happyview.fr and Malentille.com in 2016, and we continue to explore ways to continue to strategically expand our presence in the online market for optical products and to acquire know-how to replicate across our existing online platforms. We are present on social media (Facebook, Twitter, LinkedIn, Instagram, Pinterest, YouTube and TikTok) and have developed apps and webtools that our customers can use to interact with our product offering, for example allowing them to book appointments, track their contact lens replacement cycle, to locate the nearest store or to virtually try on our frames. We are currently developing a comprehensive approach for our digital business, in order to have a first-mover advantage in regards to digital transformation, consistent with our historical marketing positioning, and in light of the fact that e-commerce penetration in our sector remains in its early stage.

- ***Multi-format business model, continuously adapted to meet the future***

We actively manage our store networks and store formats, using our expertise to identify changes in the market and to adapt our store locations, formats and sizes to meet demand and emerging opportunities, including through strategic relocations, adjustments to store sizes in city centers and development of larger store formats outside city centers. In recent years, a growing share of our franchised stores have been located in shopping centers and retail parks. While these locations have been impacted to a greater degree than certain other store formats during the latter part of the COVID-19 dynamic, we are optimistic that we will continue to be able to adapt our networks to meet customer demand going forward.



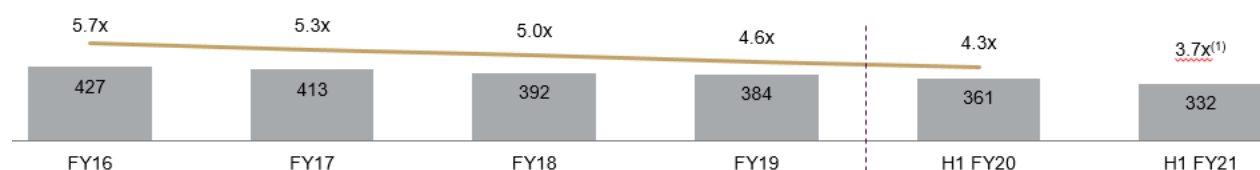
- *Multi-offering approach, combining our historical optical business with a complementary hearing aid offering that responds to anticipated growth in demand supported by a new, supportive healthcare framework in France*

Since 2011 (save for 2013 to 2016, during which period LSFA developed the hearing aid business in France outside of the Group), we have pursued a multi-offer strategy through the creation of our complementary Alain Afflelou Acousticien banner in the French and Spanish hearing aid markets, as well as our Afflelou Sun concept in France and Spain. We have modelled the Alain Afflelou Acousticien strategy on our successful approach in the French and Spanish optical product markets, capitalizing on key success factors, such as our experience as a large franchisor, our strong brand awareness, our disruptive, price-focused approach and our history of commercial innovation, and leveraging our significant store network to develop cross-selling opportunities and synergies, such as through the opening of hearing aid corners within optical stores, and to expand our footprint in a cost efficient manner.

We believe the 100% Santé changes that took full effect in France from January 2021 will drive increased penetration in the currently underpenetrated French hearing aid market, as these products are now significantly more affordable for those who need them but are not yet equipped or those who may need to replace their existing equipment. We believe our well-established Alain Afflelou banner is poised to capture growth in this market in which we believe there is significant growth potential in the mid- to long-term.

***We have a robust financial track record of high profitability, healthy cash generation and steady deleveraging***

Our business model, based on our highly-developed franchise business and asset-light, controlled fixed cost base that requires limited working capital and capital expenditure, drives our stable, healthy and predictable margins and cash generation. Before COVID-19, our Adjusted EBITDA as a percentage of network sales was consistently above 10% and our free cash flow was consistently above 80%, in each case from the fiscal year ended July 31, 2016 to the twelve-month period ended January 31, 2020 (pre-IFRS 16), while the ratio of our third-party net debt to our Adjusted EBITDA declined steadily from 5.7x as of July 31, 2016 to 4.3x as of January 31, 2020 (pre-IFRS 16). The table below presents our third-party net debt and leverage (pre-IFRS 16) from July 31, 2016 to January 31, 2021. See "*Presentation of Financial and Other Information—Other Financial Measures—Adjusted EBITDA and Normalized EBITDA*".

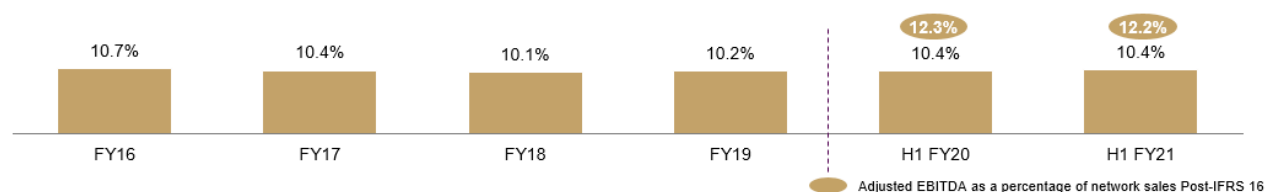


Source: Group information.

Note: (1) Based on pre-IFRS 16 Normalized EBITDA of €89.0 million.

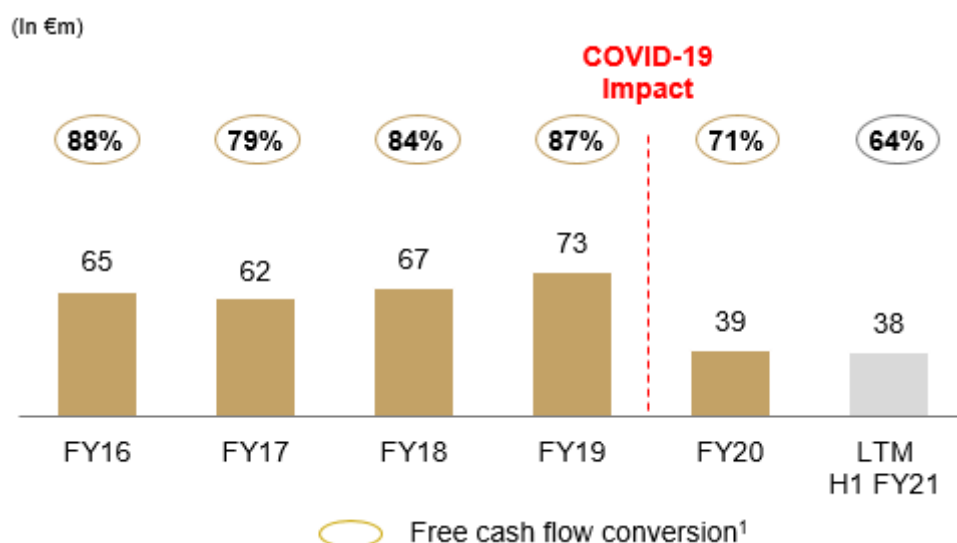
Despite the impact of COVID-19, we have reduced our net debt by €29.2 million from January 31, 2020 to January 31, 2021 (pre-IFRS 16). The graphics below show our Adjusted EBITDA as a percentage of network sales and our free cash flow and free cash flow conversion (in each case, pre-IFRS 16) from July 31, 2016 to January 31, 2021.

### Adjusted EBITDA as a percentage of network sales



Source: Group information.

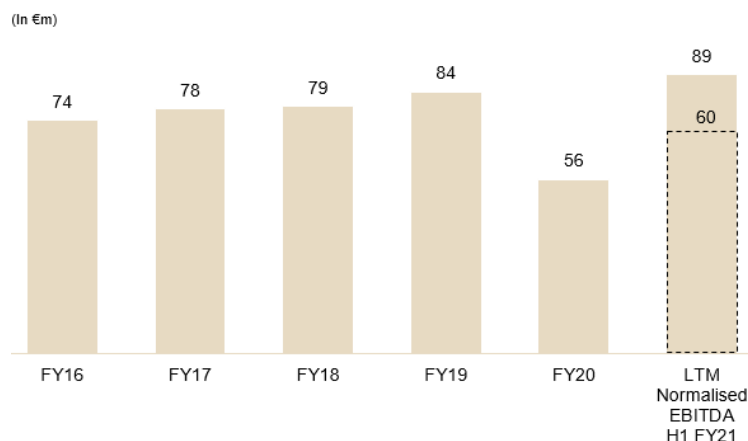
### Free cash flow and free cash flow conversion



Source: Group information.

Note (1) - Defined as (Adjusted EBITDA - net capital expenditure - income tax paid)/Adjusted EBITDA

The chart below presents the evolution of our Adjusted EBITDA (pre-IFRS 16) from July 31, 2016 to January 31, 2021, with the LTM January 31, 2021 figures presenting our actual EBITDA for the twelve months ended January 31, 2021 (€60 million) as well as our Normalized EBITDA as calculated by adding our Adjusted EBITDA for the six months ended January 31, 2021 (the first half of the fiscal year ending July 31, 2021), adjusted to eliminate the estimated impact of the application of IFRS 16, to our Adjusted EBITDA for the six months ended July 31, 2019 (the second half of the fiscal year ended July 31, 2019) (€89.0 million). See footnote 14 under "Summary Historical Consolidated Financial Information and Other Data—Other Financial Information" and "Presentation of Financial and Other Information—Other Financial Measures—Adjusted EBITDA and Normalized EBITDA".



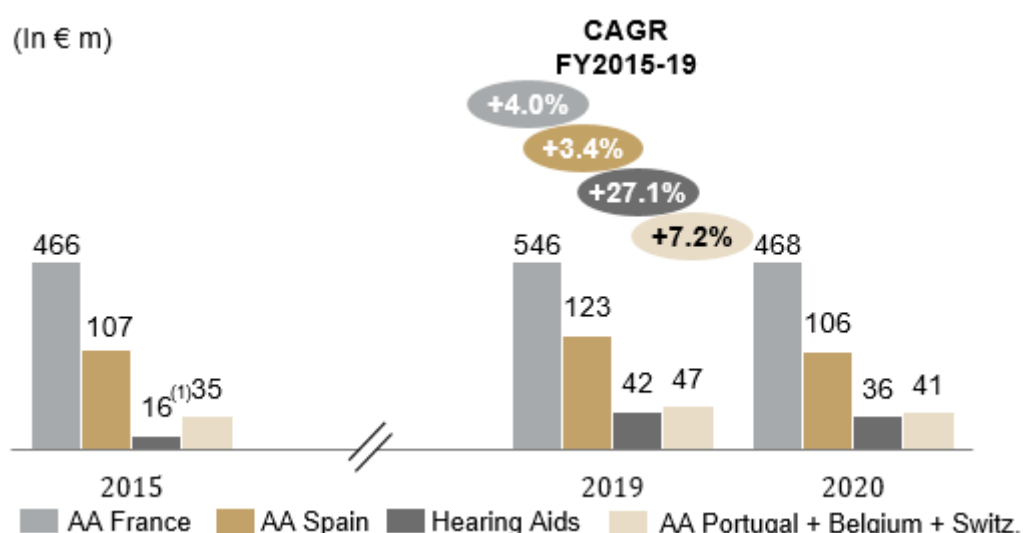
Source: Group information.

As a franchisor, we have built an asset-light model that requires limited capital expenditure to expand our networks, as almost all capital expenditures for the franchised stores in our networks are borne by our

franchisees, who are responsible for their own store investments. From time to time, we support the expansion of the network through our Adelante program, which assists our franchisees in raising bank lending for expansions. We only bear the investment costs for our limited network of directly-owned stores, which also helps us keep our capital expenditure needs relatively low: these needs generally correspond to the maintenance of our directly-owned stores perimeter and the purchasing and selling of directly-owned stores on behalf of franchisors.

Our financial performance is also bolstered by strong network sales, which grew in the fiscal year ended July 31, 2019, to €818.5 million, as compared to €781.5 million for the fiscal year ended July 31, 2018 and €752.6 million for the fiscal year ended July 31, 2017. Despite the impact of COVID-19, we have still generated strong network sales since the start of the pandemic, with network sales in the six months ended January 31, 2020 of €388.0 million, as compared to €401.9 million for the six months ended January 31, 2019, and €428.8 million for the six months ended January 31, 2021. Our store count and network sales have benefited from the acquisitions described above, as well as the strength and reputation of our franchise network, which incentivizes franchisees to open new stores and expand our store network. This growth was evidenced by an increase in our revenues and our ability to maintain Adjusted EBITDA margins above 20% for the fiscal years ended July 31, 2016, 2017, 2018 and 2019 (on a pre-IFRS 16 basis), as well as a 23.4% and 28.4% Adjusted EBITDA margin (Adjusted EBITDA as a percentage of revenue, on a pre-IFRS 16 basis) for the twelve and six months ended January 31, 2021, respectively. We believe that strong network sales performance is a lever that can drive bottom-line improvement, particularly in our hearing aids business and in our networks in countries that border our core markets, where we believe there is room to grow off the back of economies of scale driven by our franchise model and fixed cost base, as network sales growth generally requires limited capital expenditure.

The chart below presents the network sales for our Alain Afflelou France banner, our Alain Afflelou Spain banner, our Alain Afflelou banner in Portugal, Belgium and Switzerland and our hearing aids business in France and Spain for the 2015, 2019 and 2020 fiscal years.



Source: Group information.

Note: (1) Pro forma adjusted for LSFA's network sales in France in fiscal year 2015. LSFA was acquired on July 31, 2016.

Additionally, we have historically achieved strong cash flow generation and attractive free cash flow conversion dynamics, with a 78.0% free cash flow conversion rate for the six months ended January 31, 2021, as a result of our limited capital expenditure needs and working capital requirements. We also believe there are significant profitability upside opportunities from operating leverage within our developing businesses, such as our hearing aids business and our operations in countries that border our core markets.

We also have limited working capital requirements, supported by the soundness of our network and quality of their payments. As noted above, we have provided financial assistance to our franchisees to help them weather the COVID-19 pandemic. On the whole, franchisees have repaid amounts borrowed in short order (with just €12.6 million of such COVID-19 loans to franchisees being outstanding as of January 31, 2021, as compared to €25.7 million as of July 31, 2020) and repayments on these deferred amounts are expected to generate exceptional cash flows in the second half of the current fiscal year of around €2 million per month). Further, in our Alain Afflelou banner in France, a very limited number of stores have requested support or have had difficulties satisfying their monthly payment obligations relating to our central payments structure since the start of the current fiscal year, which we believe is an indicator of our franchisees' financial stability.

We had a strong liquidity position of €117.4 million as of January 31, 2021 (as compared to €76.9 million at July 31, 2020, showing how our liquidity has weathered the COVID-19 pandemic thus far).

These factors contribute to a robust record of cash generation, strong free cash flow, free cash flow conversion and profitability. Our profitability combined with strong cash flow generation and limited capital expenditures needs and working capital requirements have allowed us to reduce our leverage: the ratio of our third-party net debt to our Adjusted EBITDA decreased from 5.7x as of July 31, 2016 to 4.6x as of January 31, 2019. Supported by our operational performance and cashflow generation, we have de-levered by 1.6x since the 2017 refinancing, building cash on balance sheet to €117 million as of January 31, 2021. We will be refinancing the Existing Notes, be fully paying down the PGE Loans and have €30 million available under the New Revolving Credit Facility in connection with the Transactions, bringing the opening liquidity position to approximately €41 million. *Pro forma* for the Transactions, our net secured debt ratio and our total net debt ratio will be 3.8x and 5.2x, respectively, based on Normalized EBITDA of €104.1 million.

### ***We are led by an experienced management team with a proven track record***

We benefit from the experience and industry know-how of our senior management team. The Non-Executive Chairperson of the Board of Directors of the Issuer, Rachel Marouani, started her career in 1994 at Alain Afflelou and in the following decades gained significant experience with Frantour, Accor Group and LVMH Group. Rachel was CEO of FRED Jewelry from 2012 to 2017 and CEO of Make Up For Ever from 2017 to 2019. She has been awarded the French Government "*Médaille nationale du mérite*" for her contribution to commerce. The members of our executive committee have an average of 12 years of experience with the Group, and most have worked together as a team for many years and benefit from significant experience in the retail, optical and hearing aid industries, in addition to having a thorough understanding of the regulatory dynamics in the jurisdictions where we operate. Our management team has delivered significant operational improvements in recent years and achieved consistent Adjusted EBITDA growth in recent years despite evolving market conditions.

### **Strategy**

Our strategy has six pillars: (i) increase our franchise network footprint in our domestic markets through new store openings while continuing to optimize our efficiently-managed network and enhance our multi-channel offering; (ii) achieve our digital transformation goals, (iii) drive organic growth through marketing innovation and central support to franchisees; (iv) accelerate our expansion in the hearing aid markets with support in France from the 100% Santé changes that are expected expand this market; (v) further penetrate the European market in border countries and focus on network density and (vi) continue delivering operating efficiencies at Group-level.

### ***Increase our franchise network footprint in our domestic markets***

We intend to further develop our network through new franchised store openings in our domestic markets (France and Spain) within our Alain Afflelou banner, while continuing to optimize our network, including our first price banner. We believe that there is still headroom to add to our Alain Afflelou networks in France and Spain. We also believe we will be in a position to seize opportunities, both in terms of white space in the retail space that has emerged since the beginning of the COVID-19 pandemic and due to more independent opticians being willing to join a larger banner. In past years, we have offered strong support to franchisees in order to expand our network, such as our Adelante program in France and Spain, which facilitates the opening and purchase of optical stores for new franchisees. We also believe there are also several avenues for continued network optimization, including more actively managing our network and redeploying stores in order to capture more consumer traffic.

### ***Achieve our digital transformation goals***

We intend to continue implementing our digital transformation, which is a process we accelerated during 2020, in part as a response to the COVID-19 pandemic, such as through the shift to significant numbers of online appointment bookings during 2020, which helps our franchisees to redirect customers and to carefully observe relevant restriction measures.

Our digital transformation plan relies on a data-centric approach, in which we have made significant investments and have achieved notable success in recent years. We have a large customer database and have put in place strong support system from our franchisees and links with their point-of-sale systems, which we believe helps us to offer better service to customers. We believe that continuing to implement our digital transformation plan, including by optimizing our existing framework and rolling out new tools will help us increase the loyalty of our existing clients and as well as to attract new clients. Part of our digital transformation plan also involves the roll-out of digital screens, tablets and other innovative tools that are aimed at improving the customer experience in the store. On the communication side, we also intend to continue growing our presence on various social media platforms, as a growing part of our total communication efforts. Finally, we intend to strengthen the multi-channel experience we offer to our

customers. We currently have a "click-and-mortar" approach that encourages customers to explore and test products online before ultimately buying products in one of our stores. Through our online offers at Afflelou.com and Malentille.com, we also continue to serve customers online. As an example of this approach, we opened our first fully digitalized store in Portal de l'Àngel, Barcelona in April 2021.

### ***Drive organic growth through marketing, innovation and central support to franchisees***

We intend to continue growing our store network by enhancing our brand image, including by promoting awareness of our banners and commercial offers, remaining engaged with customers and potential customers through innovative communications campaigns and further strengthening access to potential customer pools by encouraging and assisting franchisees' accession to care networks in France. With respect to our franchised store network, we will seek to maintain our strong framework of services and support functions to enhance franchisee customer service and financial performance, including opening, day-to-day and *ad hoc* support, such as through access to our central purchasing unit services, our expanded *prêt-à-porter* logistics platform and customer relations training programs that acquaint franchisees and their employees with the benefits of our latest commercial offers. We believe these services increase customer satisfaction and improve performance in our stores, which are key drivers of our financial performance. We will continue to extend a variety of services that we have put in place in recent years, like training (including e-training) for our franchises and dedicated support (such as our *Elite* program, which is designed to assist franchisees that are underperforming. Additionally, we intend to continue our rollout of a multi-offer approach, converting existing franchisees into operators under both our optical and hearing aid banners, such as by encouraging optical franchisees to add hearing aid or sunglasses corners in their stores. We believe that our strong focus on cultivating and promoting our franchisee-centered business model will continue to support robust levels of revenue per store in France and Spain, which have historically outperformed independent retailers' levels of sales.

### ***Accelerate further expansion in hearing aid products in all existing markets***

We intend to continue our rapid expansion into the hearing aid market, with the aim of becoming a reference brand in this market. In France, we benefit from the 100% Santé changes, which make hearing aids significantly more affordable than they were previously and than they are in many other markets. In addition to benefitting from strong intrinsic growth in the market, driven by an aging and growing population, coupled with relatively low equipment penetration rates which are expected to increase the population of hearing aid wearers at a CAGR of 5% over the 2020 to 2025 period, and a supportive healthcare reimbursement system in France, we believe there is further growth potential in our existing countries of operation.

Our strategy in the hearing aids business is based on synergies with our historical optical business. On one hand, our combined offering provides consumers with the convenience of acquiring both products at a single location, based on the fact that there is substantial overlap in the population seeking vision correction and the population seeking hearing aids. On the other hand, opticians and hearing aid specialists in our network benefit both from these synergies, with opticians welcoming new potential clients under the hearing aids offers, while hearing aid specialists benefit from premium locations inside our optical network. Additionally, we believe that our strong brand equity will benefit from the growth of each banner.

Our hearing aid corners are a key growth lever for us, as we believe the hearing aid market is well-poised for significant growth, particularly in France following the implementation of 100% Santé in January 2021 and also that we are well-positioned to benefit from this growth as the hearing aid business is complementary to and synergistic with our historical optical business and we already have a significant footprint of hearing aid points of sale in our core markets. We believe there is significant upside to putting hearing aid corners in our franchisees' existing optical stores, as the two businesses are complementary and we believe that these hearing aid corners drive like-for-like growth in sales of frames and lenses/glasses. Our model envisions franchisees operating their dedicated optical stores alongside two to three corners. We believe this approach is a natural fit for many of our franchisees, particularly for those who are dually-qualified as opticians and audiologists, as well as for those who see a natural way to expand their existing competency to cover audiology as well as optical services. Finally, we believe that using the same model in our hearing aid business as we do in our optical business will generate economies of scale in the future and help us to generate favorable levels of profitability.

### ***Further penetrate the European market in border countries and continue to expand in other international areas***

We have a well-established and expanding presence in countries that are adjacent to our core markets of France and Spain, having successfully expanded our Alain Afflelou banner into Belgium (1995), Luxembourg (2002), Switzerland (2005) and Portugal (2008). We believe that these "border" markets collectively represent millions of potential end-customers and thus present a significant potential growth opportunity for us, as these are familiar markets to us where we already have a fairly mature base, where we can roll-out the same operating model we use in France and Spain and where we benefit from built-in brand awareness.

We intend to further extend our European footprint in these border countries (i.e. Belgium, Luxembourg, Switzerland and Portugal) by deepening our franchise network. In both Belgium and Switzerland, we are mainly present in French-speaking regions and we are increasing our presence in Flemish-speaking regions of Belgium and the German-speaking regions of Switzerland. In Portugal, we are currently reviewing our strategy to expand beyond our existing base. We continuously evaluate potential targets for strategic acquisitions, particularly in such border countries.

We also believe there are opportunities in the Middle East, where we see room to grow, as well as in Africa, where there is an increasing middle class, as well as a growing population with more disposable income, and especially in African countries that have a historical link with France. We believe that our franchise model adapts well to various geographies, languages and types of markets. Our international roll-out expansion in those new geographies rests on limited costs and risk strategy, with a model operating through master franchise agreements, where potential is limited.

### ***Continue to deliver operating efficiencies at Group-level***

We intend to continue to take advantage of the economies of scale provided by our network organization by streamlining our administrative and overhead functions and controlling our cost base, for instance by regrouping our various administrative locations in France at one site in Paris. In our Alain Afflelou banner, we intend to continue evaluating the performance of our store network, with a view to optimizing such performance. We will also continue to carefully monitor our directly-owned stores network, with a long-term target of maintaining a limited directly-owned stores perimeter, while acting opportunistically where we believe there is low-risk potential, in particular opportunities that are created by the impact of the COVID-19 pandemic on retail space. We plan to continue to leverage our directly-owned stores in managing our wider network, operating flagship stores, and in negotiations with suppliers.

We also intend to continue our advertising efforts to support the development of our network, while leveraging our economies of scale. In particular, we believe that the rapid growth of our hearing aid banner will generate a benefit to the brand equity of the overall Alain Afflelou banner. In addition, we intend to continue leveraging our long-standing relationships with suppliers to obtain the most favorable commercial terms for our store network. More generally, the expansion of our network, together with the implementation of dedicated central purchasing units, has reinforced our purchasing power and our ability to negotiate discounts and rebates with suppliers. Savings generated from these discounts or rebates are shared with franchisees. Finally, we believe that expanding in border countries and growing our hearing aids business will help us increase profitability, due to both gains in communication margins and the growth of exclusive products.

### **Sources and uses**

The gross proceeds from the Offering will amount to €485.0 million. We intend to use the gross proceeds from the Offering, along with approximately €106.0 million of cash from our balance sheet, to (i) redeem and repay in full the Existing Notes, (ii) to repay in full the PGE Loans, (iii) make the Shareholder Bond Reimbursement and (iv) pay commissions, fees and expenses incurred in connection with the Transactions (including estimated fees, expenses and redemption costs to be incurred in connection with the Offering). See "*The Transactions*".

The estimated sources and uses of funds related to the Offering are shown in the table below. Actual amounts may vary from estimated amounts depending on several factors, including the actual date on which the Issue Date occurs, the actual cash of the Issuer as of the Issue Date and the commissions, fees and expenses incurred in connection with the Offering. The table below should be read in conjunction with "*Capitalization*".

Sources of Funds		Uses of Funds	
(in € millions)			
Senior Secured Notes offered hereby <sup>(1)</sup> .....	410.0	Refinancing of Existing Notes <sup>(4)(5)</sup> .....	415.0
		Repayment of PGE Loans <sup>(6)</sup> .....	30.0
Senior Subordinated Notes offered hereby <sup>(2)</sup> .....	75.0	Shareholder Bond Reimbursement <sup>(7)</sup> .....	135.0
Cash on balance sheet <sup>(3)</sup> .....	106.0	Estimated fees, expenses and redemption costs related to the Transaction <sup>(8)</sup> .....	11.0
<b>Total sources</b> .....	<b>591.0</b>	<b>Total uses</b> .....	<b>591.0</b>

(1) Represents proceeds from the issuance of the Senior Secured Notes, assuming an issuance at par.

(2) Represents proceeds from the issuance of the Senior Subordinated Notes, assuming an issuance at par.

(3) Represents €106.0 million of cash on the balance sheet of the Issuer used to repay the PGE Loans and make the Shareholder Bond Reimbursement.

(4) Represents €250.0 million in aggregate principal amount of the Existing Fixed Rate Notes.

(5) Represents €165.0 million in aggregate principal amount of the Existing Floating Rate Notes.

(6) Represents the repayment in full and cancellation of the PGE Loans for a total of €30.0 million.

- (7) Represents the partial repayment, on the Issue Date by the Issuer to the holders of the Shareholder Bonds, of a portion of the Shareholder Bonds for a total of €135.0 million.
- (8) Includes redemption costs associated with the redemption of the Existing Fixed Rate Notes at a redemption price of 101%, accrued and unpaid interest on the Existing Fixed Rate Notes that accrued between April 1, 2021 to, but excluding, the redemption date of €                      million and accrued and unpaid interest on such Existing Floating Rate Notes to be redeemed that accrued between April 1, 2021 to, but excluding, the redemption date of €                      million.

## **The Issuer**

The Issuer is the reporting entity for the Group and was incorporated on April 20, 2012. It is organized as a *société par actions simplifiée* under the laws of France. The Issuer is registered in France under sole identification number 751 095 712 R.C.S. Paris. The Issuer's registered office and principal business address is 11, rue d'Argenson 75008 Paris, France.

## **Principal shareholders**

The beneficial ownership of the share capital of the Issuer is as follows (in each case, through one or more holding entities):

- Lion Capital, together with other Lion co-investors: approximately 40.5%;
- CDPQ, together with the funds it advises or manages: approximately 30.8%;
- Amboise Partners, together with minority co-investors: approximately 14.5%; and
- Mr. Alain Afflelou and his family: approximately 14.2%.

Lion Capital is a consumer-focused investor passionate about driving growth through strong brands. With offices in London and the United States, the firm's principals have invested over \$9.3 billion in over 50 businesses and more than 180 consumer brands across Europe and North America. Lion's focus on market-leading consumer-facing companies has led to investments in such well-known brands as AllSaints, a global contemporary fashion company; Grenade, a market leading sports performance and active nutrition brand; Jimmy Choo, a worldwide luxury accessories brand; Kettle Foods, a leading global producer of all-natural snacking products; Loungers, a fast-growing UK chain of informal all-day neighborhood café-bars; wagamama, the UK's leading chain of pan-Asian inspired noodle restaurants and Weetabix, a leading branded manufacturer of ready-to-eat cereals and cereal bars in the United Kingdom.

Established in 1965, Caisse de Dépôt et Placement du Québec ("**CDPQ**") is an institutional investor that mainly manages fund assets from Quebec retirement funds and public and private insurance. As of December 31, 2020, its net assets total CAD \$365 billion. CDPQ is one of the leading institutional investment managers in Canada.

Amboise Partners SA ("**Amboise Partners**") is the management company of the FPCI Aho20 and the investment advisor of Altamir, both having been shareholders of the Group since 2010. Altamir is a listed private equity company (Euronext Paris – B, ticker: LTA) founded in 1995 by Maurice Tchenio. It is majority-owned by Amboise, a *société par actions simplifiée* organized under the laws of France, which is wholly owned by Maurice Tchenio and members of his family. Its objective is to provide shareholders with long-term capital appreciation and regular dividends by investing in a diversified portfolio of fast-growing companies. Altamir's primary investment policy is to invest via and with the funds managed or advised by Apax Partners S.A.S. and Apax Partners LLP. However, Altamir is an independent entity from such firms. As of December 31, 2020, its portfolio, on a look-through basis, comprised 55 companies with a fair market value of €1.27 billion. Altamir operates in a number of sectors, including technology, media, telecommunication consumer, healthcare and services. Amboise Partners advised Altamir on the reorganization of THOM Group's capital structure, which included the successful raising of €620 million high yield debt in January 2021.

See "*Principal Shareholders and Related Party Transactions*".

## **Recent Developments**

### ***Recent developments related to the global COVID-19 pandemic***

#### ***Impacts on and risks to Afflelou from the ongoing COVID-19 pandemic***

In late 2019, a novel strain of coronavirus was first detected in Wuhan, China. This novel strain of coronavirus can cause an illness which is referred to herein as "**COVID-19**". This coronavirus strain has spread widely, triggering a global pandemic that has affected most countries and which has had significant public health and economic impacts in France and Spain.

On March 15, 2020, the French government ordered all but certain essential businesses be closed and imposed significant limitations on the circulation of the general population. The Spanish government also implemented similar measures in March 2020. Such measures are generally referred to herein as



**"confinement" and "confinements".** In the context of these governmental orders, we temporarily closed all of our directly-owned stores in the main European countries in which we operate and we advised our franchisees to do the same. Consequently, since mid-March 2020, our business has been impacted by the COVID-19 pandemic, due in large part to the significant impact the pandemic has had on day-to-day life in our key geographies (France, Spain, Belgium and Switzerland).

The main consequence of the pandemic and the related confinement measures on our business was the closure of a vast majority of the stores in our network from mid-March 2020 through mid-May 2020, resulting in a sharp decline in sales to near zero during that period. However, Afflelou is characterized by its healthcare offering to clients with more than 90% of Afflelou's sales in France and Spain being generated from prescription glasses and hearing aids. Because the healthcare products we sell are essential to our customers, customers generally only postpone the purchase of these products for a limited period of time, as indicated by a customer survey by Galileo showing that 83% of customers change glasses for non-discretionary reasons, such as a change in vision impairment or breakage. As the countries in which we operate concluded their initial confinement periods, the period of sharp decline due to temporary, required store closures was followed by the reopening of our store network, leading to a rebound in sales. As a result, our sales for the first half of the fiscal year ending July 31, 2021 were significantly above sales for the same period in the prior year, outlining the healthcare and non-discretionary nature of the optical and hearing aid products we sell.

In addition, one direct consequence of the first confinement was increased online sales through our websites (*OpticalDiscount.com*, *malentille.com* and *Afflelou.com*). Online sales in April 2020 roughly doubled as compared with April 2019, but were still limited overall and mostly linked to contact lenses, on which competition is price-oriented. Since then, online sales continued to perform at a level above that of the year before.

In late autumn 2020, due to a rapid resurgence of COVID-19 in our main geographies, new restrictive measures were again imposed by governments, including curfews, local confinements and closures of specific areas, such as certain indoor shopping centers based on square footage thresholds. These restrictions have not thus far been systematically applied to the optical or hearing aid sectors, which are deemed "essential businesses" and which allows us to keep our stores open. However, these restrictive measures have had a limited negative impact on our sales in the first half of the current fiscal year. More recently, store closures in selected indoor shopping centers in France, due to a combination of factors, including reduced traffic and trading hours, affected 119 Alain Afflelou optical stores in February 2021 and approximately 150 stores from March 6, 2021, although some of the lost activity in these stores was redirected to stores that remained open, notably in city centers. On average, stores open in February 2021 saw an increase in activity of more than 15% as compared to February 2019.

#### *Confinement from mid-March 2020 to mid-May 2020 - Measures taken by the Group*

##### Health and safety measures taken by the Group

Since mid-March 2020, we have rapidly taken measures to safeguard the health of our employees and customers and have granted support to members of our networks to assist them with taking precautionary and protective measures. The most significant measure was the closure of all of our directly-owned stores during the first confinement period. We also put in place teleworking arrangements for the staff and personnel in our headquarters from March 16, 2020. At the end of March 2020, we ordered 1,000,000 masks, of which approximately 500,000 were donated to the French National Health Authority. The remainder of the order was delivered to franchisees, together with other personal protective equipment, such as visors, hand sanitizers and protective gloves, in advance of the reopening of the store network.

##### Adaptation of the Group's operations to confinement

We have also taken measures to adapt our structure to the confinement period, including taking cost reduction measures and using temporary layoffs where possible. As a consequence, personnel costs in France and Spain during the confinement period (March 16 to May 11, 2020) were reduced by approximately half of normative levels. We also closely monitored and reviewed other operating charges during the first (and each subsequent) confinement period.

##### Customer care during and after confinement

During the first confinement, our network implemented a scheme for emergency services for customers in a limited number of stores across our main geographic markets. In preparation for the reopening of the store network, we implemented procedures to facilitate safe store activity. Health measures have been taken to protect both employees and customers, with strict protocols implemented at store-level, including limits on the number of people in a store at one time, strict protocol for handling and sanitizing merchandise, frequent sterilization of tools, increased attention to hygiene and increasing use of appointments for store visits by customers.



### Financial support to the store network during and after confinement

As a reminder, we pay our listed suppliers through our central listing structure each month, on behalf of the franchisees who purchase the products sold to end customers via the store network. Those franchisee orders, together with the services and exclusive products invoiced by us to the franchisees, represent flows of more than half of franchisee sales every month. Thanks to the sales terms we offer to franchisees, the latter make payments for purchases to the central listing structure two months after such purchases are made and thus have limited working capital requirements. As a consequence of the confinement, there were virtually no sales from mid-March to mid-May 2020, which created a significant need for cash at the franchisee-level in order to make payments to us for products and services invoiced for January and February of this year. In addition to advising franchisees about specific measures to secure their business (such as negotiating rent reductions, payment deferrals, temporary layoffs, tax deferrals and loan standstills), we took various measures to support the financial health of the store network by reducing monthly instalments in March, April and May (for a total amount of more than €30 million) and through loans granted by banks and guaranteed by us (for a total approximate amount of €15 million, of which approximately 450 loans of €20,000 were granted by our partner in the NextYear offer). Our franchisees have negotiated or are currently negotiating certain government-backed loans, in France with a state guaranteed loan (*Prêt Garanti par l'Etat* or PGE) and in Spain with the support of the *Instituto de Crédito Oficial*, for a total approximate amount of €15 million. Thanks to strong sales recovery since June, and the financial measures described above, almost all our franchisees were able to start repaying the postponed amounts. The outstanding amounts on deferred payments of our franchisees were €12.6 million as of January 31, 2021, with repayment expected to be complete before the end of the fiscal year ending July 31, 2021. This will represent an exceptional cash inflow.

### Acceleration of our digital transformation

In addition to the increased level of online sales (particularly contact lenses) in order to adapt to the more constrained conditions in which we can welcome customers into our stores (as described above), we are promoting the use of appointments for store visits. This is not a major departure in terms of process for people who are accustomed to booking appointments, as is already the case for appointments with opticians in Spain and hearing aid specialists in France. However, at present, there is limited use of appointments in the French optical sector, due to the small proportion of glasses wearers who request view exams in optical stores. In connection with 100% Santé (as described above) changes, we believe the proportion of eye exams in optical stores will grow in the future, which should favor appointments to reduce wait times for customers and improve customer flow through our stores. Customers booked approximately 100,000 store appointments in May 2020 alone, a significant increase in the proportion of customers using this service. Store appointments are part of the customer journey targeted in our digital transformation plan and also help us forge closer links with our customers.

### Impact of the pandemic and confinement on the Group's liquidity

Our cash position at the end of January 2020 was €58.2 million. In light of the rapid spread of the COVID-19 pandemic in France and Spain and the related economic uncertainty, we decided at the beginning of March 2020 as a precautionary measure to draw on our Existing Revolving Credit Facility in an amount of €30 million. In mid-April 2020, considering a longer than expected confinement period, we decided to negotiate a €30 million French government-backed loan (the "PGE", as described further above). The PGE was obtained and drawn in July 2020, while we decided not to renew our March 2020 precautionary drawdown on the Existing Revolving Credit Facility.

### Our store network after the initial confinement

In the quarter ended January 31, 2021, most of our stores were open following the initial confinement, but traffic in our stores continued to be affected by COVID-19, especially in stores that are located in malls. This included reduced traffic by visitors who come to discover our sunglasses collection and buy sunglasses, contact lenses and care products. On the other hand, the transformation rate of visits into sales by potential glasses buyers is generally high: studies point to customers asking for, on average, less than two quotes from opticians for any purchase of glasses. Thus, we believe that, while traffic is still reduced in certain areas, such as malls, visits by customers seeking to purchase glasses generally have a higher transformation rate. We believe that a temporary lack of traffic in our stores linked to visitors looking for sunglasses and contact lenses will have a limited impact (such products typically represent a proportion of less than 15% of our network's optical sales in France), as long as it does not affect store visits by customers seeking prescription glasses. As noted above, we have observed a better transformation of visits into sales of glasses, due to the increasing use of appointments.

### Reopening of the Group's stores after initial confinement

We believe that the level of sales following the initial confinement significantly benefitted from "pent-up" demand. After the lifting of the initial confinement measures, our sales began to rebound quickly. The activity of our main geographical banners returned to positive sales performance in June 2020, as compared to the same period in 2019, for the remaining period of the fiscal year ended July 31, 2020. Since then, sales continued to show positive trends with a strong improvement of sales in each geographical area, versus the year before, in the first quarter of the fiscal year ending July 31, 2021. In the first quarter of the current fiscal year as a result of the catch-up effect from customers having to compensate for having not been able to purchase eyewear and hearing aids during the initial confinement period, network sales were €219.5 million (a 14.7% year-on-year increase), Adjusted EBITDA was €26.2 million (a 25.1% year-on-year increase) and Adjusted EBITDA in our France segment increased by 29.8 % in the first quarter of the current fiscal year as compared to the same period in the prior fiscal year.

### *November 2020 to mid-December - Return to confinement measures after the spread of a second wave of the pandemic*

In our main geographical areas, a second wave of the pandemic emerged in mid-September 2020, with a strong acceleration in October. In order to face this resurgence of COVID-19, governments and local administrations adopted new responsive measures and put in place a curfew in October in our main geographical areas and subsequently adopted a second period of confinement from early November to mid-December 2020. In France, Spain and Belgium, the measures included restrictions on movement, encouragement for teleworking, and the temporary closure of any "non-essential" retail activity.

Given the critical, healthcare nature of optical and hearing aid products, optical and hearing aid retailers were deemed "essential" to the population and were allowed to remain open throughout the second confinement. In this context, we decided to keep our stores open, and encouraged franchisees to do so as well, in line with the sector union recommendation in France. Customers were contacted through SMS and emails and prompted to book appointments with their opticians. During this second confinement period, almost all of our stores were open in our main geographies and the impact of this second confinement on our network sales was relatively limited.

As of mid-December 2020, sales in our network continued to show normal activity as compared with the same period in 2019, on the whole.

### *Current partial restrictions - New restrictive measures taken since the beginning of 2021 and evolution of the pandemic in our main geographical areas (France and Spain)*

In France, due to the persistence of a large number of new infections in the population, the appearance of coronavirus variants and ongoing pressure on the health system, combined with a slow rollout of vaccinations (with 5.3 million people vaccinated at mid-March 2021), the government made the decision to put in place a new nighttime curfew that begins at 18:00 every day (19:00 from March 20), which has been in effect since mid-January 2021. In addition, the government has been enforcing closures of shopping centers of over 20,000 square meters nationwide since January 31, 2021 and of shopping centers of over 10,000 square meters nationwide since March 6, 2021. For the month of February 2021, the first wave of closures in French shopping centers impacted 130 of our stores, of which 119 are Alain Afflelou optical stores, representing around 17% of total network sales (in France, as measured on the basis of the fiscal year ended July 31, 2019, our last full-year results pre-COVID-19). These current partial restrictions, which commenced across 16 French departments (out of 96 in the metropolitan territory), including the Ile-de-France, on March 20, 2021, were extended to the whole French territory on April 3, 2021, and are planned to last four weeks, and will allow, as in November, essential businesses to remain open, apart from those in shopping centers already closed. The new restrictive measures in smaller shopping centers increased the number of our stores which must be closed by approximately 35 stores to approximately 165, of which approximately 150 were Alain Afflelou optical stores, (representing approximately 20% of our total network sales, as measured on the basis of the fiscal year ended July 31, 2019, our last full-year results pre-COVID-19). However, in the third quarter of the current fiscal year, the impact of these temporary store closures in France was mitigated by an outperformance of approximately 20% that we observed in French stores which remained open, due to a combination of redirection of sales from closed stores in shopping centers to stores that have remained open and a continued rebound effect following prior COVID-19 temporary closures. On April 29, the French administration announced a calendar for the progressive easing of the partial restrictions that have been in place since mid-January. Pursuant to this calendar, we expect to be able to reopen our currently closed stores on May 19, 2021, barring further adjustments made to this timing at a national or local level. In Spain, consumer activities generally are subject to lighter restrictions as compared to France.

*Main confinement measures adopted in France & Spain since the start of the COVID-19 pandemic*

	Confinement Spring 2020	Restriction measures Late Autumn 2020	Current partial restrictions Early 2021
<b>France</b>	<ul style="list-style-type: none"> <li>• From March 17 to May 11, 2020</li> <li>• Total confinement: all optical and hearing aid stores closed</li> </ul>	<ul style="list-style-type: none"> <li>• From October 30 to mid-December, with progressive loosening from November 28</li> <li>• Closure of non-essential businesses; almost all opticians remain open</li> </ul>	<ul style="list-style-type: none"> <li>• From January 16, curfew at 18:00; from March 20, curfew at 19:00</li> <li>• From January 31, closure of shopping centers of over 20,000 square meters nationwide</li> <li>• From March 6, closure of shopping centers of over 10,000 square meters in selected regions</li> <li>• From March 20, partial confinement across numerous French departments, including the Ile-de-France. "Essential" businesses remain open.</li> <li>• From April 3, a full confinement nationwide for an expected duration of four weeks. "Essential" businesses remain open.</li> </ul>
<b>Afflelou (France)</b>	<ul style="list-style-type: none"> <li>• Almost entire network closed during the confinement period</li> <li>• Limited growth in online sales</li> <li>• Significant rebound after re-opening due to catch-up effect on necessary healthcare purchases (particularly for prescription products)</li> </ul>	<ul style="list-style-type: none"> <li>• Stores remained open</li> <li>• Steady profitability in line with previous year</li> <li>• Sales in shopping centers affected by decrease in traffic</li> </ul>	<ul style="list-style-type: none"> <li>• Impact of curfew measures. From March 20 curfew moved back from 18:00 to 19:00, allowing our stores to remain open longer.</li> <li>• Around 130 stores in our network temporarily closed in February 2021 and around 165 stores as of March 6, 2021</li> <li>• Impact mitigated by outperformance of approximately 20% over the third quarter of the current fiscal year observed in open stores, due to a combination of redirection of sales, and continued rebound effect following prior COVID-19 temporary closures</li> </ul>
<b>Spain</b>	<ul style="list-style-type: none"> <li>• From March 17 to May 11, 2020</li> <li>• All stores closed, apart from primary necessity (food stores, pharmacies)</li> <li>• Progressive loosening of restrictions, depending on the region</li> </ul>	<ul style="list-style-type: none"> <li>• From October 25, still in place</li> <li>• Curfew measures from 23:00 till 6:00</li> <li>• Autonomy of each region, with tougher restrictions possible at local level (curfew measures, confinement of certain cities, closing of shopping centers in some regions)</li> </ul>	
<b>Afflelou (Spain)</b>	<ul style="list-style-type: none"> <li>• Stores totally closed during the confinement period</li> </ul>	<ul style="list-style-type: none"> <li>• Stores remained open</li> <li>• No possibility to travel from one department to another</li> </ul>	

**Recent developments related to changes in the regulatory environment**

In January 2018, the French government began a consultation process with various unions and representatives from the optical, hearing aid and dental care sectors. The consultation process was undertaken in connection with the French Health Ministry's intention to improve access to and reduce costs of healthcare services for end consumers. The medium-term objective of this process is to ensure that, by 2021, consumers bear no out-of-pocket costs for certain health-related products, including glasses and hearing aids. The measures, which are known as "**100% Santé**", were confirmed in June 2018 and create two segments of such health-related products: Segment A (in the optical sector) / Segment I (in the hearing aid sector), which are to be offered at zero cost to the consumer, and Segment B (in the optical sector) / Segment II (in the hearing aid sector), which are to be offered at free market rates.

In the optical sector, the main aspects of the 100% Santé measures are (in effect since January 2020):

- a zero consumer cost (*reste à charge* or *RAC zéro*) offer, which consists of a basic "basket" for glasses (for glasses with anti-reflective thin lenses, set at around €100 and €195, respectively, for unifocal and the most common multifocal glasses). All opticians must make this offer available to end customers, offering a minimum range of 17 frames. Every quote to customers must include a zero consumer cost offer. The basket for frames is set at a maximum of €30, with monofocal lenses at around €70 and progressive lenses at around €165.
- a reduction in the reimbursement cap by private health insurers, to €100 for frames (as compared with €150 previously), as compared to an average basket for frames of approximately €130. For reference, frames represented 25% of purchases in the market in 2020, according to GfK.
- the possibility for the optician to perform view exams, reimbursed by Social Security, at approximately €10, in order to facilitate the re-purchase of glasses with a prescription (with such prescription being valid for five years).

In the hearing aid sector, the same discussions have also been conducted and the zero consumer cost offer for hearing aids has been set more progressively, as the out-of-pocket cost of hearing aids is currently approximately between €700 and €1,000, according to Arcane. The final phase of the 100% Santé changes took effect from January 1, 2021. Segment I in the hearing aid segment now enables end customers to get a hearing aid device valued up to €950 at no out of pocket cost. This *RAC zéro* offer is expected to attract a large number of potential users of hearing aids, since the market is generally considered to be significantly underequipped, with, for instance, a recent study by EuroTrak indicating that only approximately 40% of French people with self-reported hearing loss actually use hearing aids. We believe the 100% Santé changes that have taken effect since January 2021 will drive strong volume growth in the French hearing aid market.

#### *100% Santé regulatory changes and assessment of their potential impact on the optical sector and the AFFLELOU Group*

The above-described regulatory changes came into effect in January 2020 in the optical sector, and were fully implemented in January 2021 in the hearing aid sector after two sets of changes in January 2019 and January 2020.

In 2018, the Group engaged a consulting company to assess the potential impact of these changes. The conclusions of this consulting company were a potential negative impact from these regulatory changes of less than 2% in terms of total sector value (most of it due to the reimbursement cap by Social Security set at €100 for frames):

changes around the zero consumer cost offer are expected to have a limited impact on the total market, since low price offers below the zero consumer cost offer (mainly corresponding to *Couverture Maladie Universelle ("CMU")*) were already available for approximately 8% of glasses buyers, while new glasses wearers (estimated to be less than one million people) who previously did not purchase glasses due to high prices are expected to compensate for the negative impact of the downwards alignment of medium to low price offers to the zero consumer cost offer.

#### *First results of the 100% Santé changes*

The start of calendar year 2020 was affected by delays by Social Security and private health insurers in implementing the 100% Santé changes. The French health care systems struggled at first to take the new classification codes of products into account, especially for lenses, thus making it difficult for opticians to get the necessary information on reimbursement levels to end customers and, consequently, to invoice end customers. As such, opticians were unable to invoice a large volume of end customers at the beginning of calendar year 2020 and many end customers had to postpone their optical purchases. The effect of this situation was progressively absorbed during the month of January 2020, with a limited number of private health insurers still having difficulties serving end customers.

This situation resulted in a decline in January 2020 sales in the sector (21.5% as compared to January 2019 as estimated by *l'Observatoire de l'Optique*). This decline had a greater effect for large banners like us, given that a larger proportion of end customers expect third-party payment and are generally more sensitive to reimbursement levels than end customers of independent stores tend to be. However, the effects of these changes were progressively absorbed in February 2020, and we have no reason to expect further disruption in the future.

Due to the impact of COVID-19, the changes brought by 100% Santé are still difficult to analyze. A market study conducted by Xerfi on the 100% Santé changes, including statistics up to September 2020, indicated that 18% of people opted for Segment A glasses (either for both products, or frames or lenses only), which is in line with our expectations. We have observed a proportion of 15% of our directly-owned stores clients

opting for Segment A glasses. We note that the distribution by price of frames does not indicate a sharp change in customer behavior. As a consequence, on the whole, we believe that the impact of 100% Santé will not be substantially different from our expectations.

*100% Santé regulatory changes and assessment of their potential impact on the hearing aids sector and the AFFLELOU Group*

The last phase of the 100% Santé changes took effect from January 2021 onwards, with the settlement of a hearing aid base product price at €950, with no out of pocket expense for the end customers. Since the 100% Santé changes were announced by the French government, we believe a significant number of potential users of hearing aids chose to postpone their purchase until the new regulations came into effect from January 2021 onwards. As a consequence, in the third quarter of the current fiscal year, total network sales in our hearing aid banner have grown significantly (by more than 50%), despite the pandemic, showing a strong acceleration, including a rapid rise relating the RAC zéro offer.

**Current Trading**

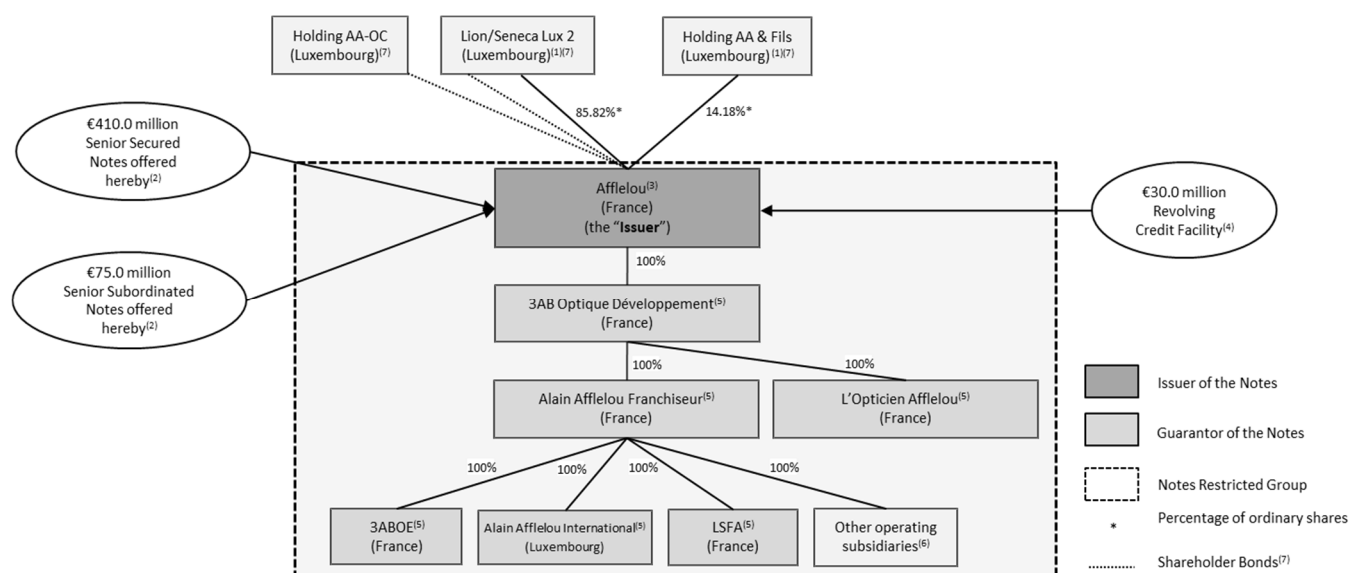
Since mid-January 2021, in response to a third wave of COVID-19 cases, the French government has implemented new partial restrictions on movement, including a nightly curfew in many regions (initially set at 18:00 and which was revised to 19:00 in March), and the temporary closure of certain retail locations, mainly in shopping centers of over 20,000 square meters starting February 2021 and over 10,000 square meters since March 6, 2021. which resulted in the temporary closure of approximately 130 of our stores since February 2021. The new restrictive measures in smaller shopping centers increased the number of our stores which must be closed by approximately 35 stores to approximately 165, of which approximately 150 were Alain Afflelou optical stores, (representing approximately 20% of our total network sales, as measured on the basis of the fiscal year ended July 31, 2019, our last full-year results pre-COVID-19).

However, we believe that the financial impact of the closure of these stores in France has been partially mitigated by a positive evolution of approximately 20% in the third quarter of the current fiscal year as compared to the same period in calendar year 2019 in sales at our stores that have remained open. We also believe this redirection of sales to our stores that remain open is another demonstration of the non-discretionary, healthcare-related nature of our business. In addition, following the launch of 100% Santé in France in January 2021, we continue to see significant growth in our hearing aids activity's total sales, which grew by more than 50% in the third quarter of the current fiscal year, as compared to the same period in fiscal year 2019, while other areas evolved positively during the same period. As a result, we estimate that for the third quarter of the fiscal year ending July 31, 2021, group network sales were approximately 5% below the same period in the fiscal year ended July 31, 2019. We anticipate that, after the re-opening of the closed stores and the return to normal activity in our networks, we should benefit from a catchup effect from pent-up demand accumulated since the first confinement in Spring 2020.

*The information presented above has been prepared by management. Such information was not prepared with a view towards compliance with published guidelines of the SEC, the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of unaudited preliminary financial information or IFRS. Our statutory auditors have not audited, reviewed, compiled or performed any procedures with respect to such information for the purpose of its inclusion herein and accordingly, they have not expressed an opinion or provided any form of assurance with respect thereto for the purpose of this Offering Memorandum. The information set out above does not take into account any circumstances or events occurring after the period to which it refers and is based on a number of assumptions that are subject to inherent uncertainties subject to change. In addition, although we believe the information to be reasonable, our actual results may vary from the information contained above and such variations could be material. As such, you should not place undue reliance on the inclusion of information and it should not be regarded as an indication that it will be an accurate prediction of future events. See "Forward-Looking Statements" and "Risk Factors" for a more complete discussion of factors that could affect our future performance and results of operations.*

## Summary Corporate and Financing Structure

The following chart shows a simplified summary of the corporate and financing structure and nominal amounts of the principal indebtedness of the Group as of January 31, 2021 after giving effect to the Transactions. The chart does not include all entities in the Group, nor all of the debt obligations thereof. All entities shown below are, unless otherwise indicated, directly or indirectly owned by their respective parent company. Outstanding debt amounts are based on the nominal value figures as of January 31, 2021, as adjusted for the Transactions. For a summary of the debt obligations identified in this diagram, please refer to the sections entitled "*Description of the Senior Secured Notes*", "*Description of the Senior Subordinated Notes*", "*Description of Certain Other Indebtedness and Other Arrangements*" and "*Capitalization*".



- (1) On or around the Issue Date, the Issuer will be indirectly partly owned by (i) Mr. Alain Afflelou and members of his family via Holding AA & Fils and (ii) the Sponsors via Lion / Seneca Lux 2. See "*Principal shareholders and related party transactions*" for more information. Holding AA-OC will be a holder of Shareholder Bonds, but will not own ordinary shares of the Issuer on the Issue Date.
- (2) On or around the Issue Date, the Senior Secured Notes will be secured by first-priority liens and the Senior Subordinated Notes will be secured by second-priority liens over collateral consisting of (i) pledges of certain securities accounts relating to all securities issued by or held in 3AB Optique Développement, Alain Afflelou Franchiseur, L'Opticien Afflelou, 3ABOE and Lion / Seneca France Audio, (ii) pledges of certain bank accounts of the Issuer and the Issue Date Guarantors and (iii) pledges of certain intercompany receivables owed to the Issuer and the Issue Date Guarantors (collectively, the "**Issue Date Collateral**"). Within 60 days of the Issue Date, the Senior Secured Notes will be secured by first-priority liens and the Senior Subordinated Notes will be secured by second-priority liens over collateral consisting of (i) all shares issued by or held in Alain Afflelou International and (ii) pledges of certain bank accounts of the Post-Issue Date Guarantors (collectively, the "**Post-Issue Date Collateral**") and, together with the Issue Date Collateral, the "**Collateral**"). See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*" for certain legal considerations that may limit the enforceability of the security interests in the Collateral. The Collateral may also be released in certain circumstances, including in connection with an IPO Event. See "*Description of Senior Secured Notes—Security—Release of Liens*" and "*Description of Senior Subordinated Notes—Security—Release of Liens*". The Issuer will use the proceeds from the Offering as further described under "*Summary—The Transactions*" and "*Use of Proceeds*".
- (3) The Issuer is a *société par actions simplifiée* organized under the laws of France.
- (4) The New Revolving Credit Facility will provide for up to €30.0 million of senior secured revolving credit. The Issuer, 3AB Optique Développement and Alain Afflelou Franchiseur are the original borrowers and guarantors and, within 60 days of the Issue Date, Alain Afflelou International, 3ABOE, LSFA and L'Opticien Afflelou will become guarantors under the New Revolving Credit Facility. For further information on the New Revolving Credit Facility, see "*Description of Certain Other Indebtedness and Other Arrangements—New Revolving Credit Facility*".
- (5) On or around the Issue Date, the Notes will be guaranteed by 3AB Optique Développement and Alain Afflelou Franchiseur (collectively, the "**Issue Date Guarantors**") and, within 60 days of the Issue Date, by Alain Afflelou International, 3ABOE, LSFA and L'Opticien Afflelou (the "**Post-Issue Date Guarantors**") and, together with the Issue Date Guarantors, the "**Guarantors**"). The Senior Secured Notes will be general senior obligations of the Issuer, will be guaranteed on a senior basis (the "**Senior Secured Notes Guarantees**") by the Guarantors, will rank equally in right of payment to all other existing and future senior obligations of the Issuer and the Guarantors, respectively, and will 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 Senior Secured Notes, including the Senior Subordinated Notes. The Senior Subordinated Notes will be general obligations of the Issuer and will be contractually subordinated in right of payment to any existing and future senior indebtedness of the Issuer, including the Issuer's obligations under the Senior Secured Notes, the New Revolving Credit Facility and certain hedging obligations, if any. The Senior Subordinated Notes will be guaranteed by the Guarantors on a senior subordinated basis (the "**Senior Subordinated Notes Guarantees**") and, together with the Senior Secured Notes Guarantees, the "**Guarantees**"). The Guarantees will be subject to certain limitations as described under "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*" and may be released in certain circumstances. See "*The Offering—Guarantees*".

and *"Risk Factors—Pursuant to the subordination provisions in the New Intercreditor Agreement, there is a doubt as to the ability of holders of Senior Subordinated Notes to recover in relation to an enforcement action premised on the Senior Subordinated Guarantees"*.

- (6) Certain operating subsidiaries of the Group are organized under the laws of France as well as certain other jurisdictions where we are present, including, among others, Spain, Belgium, Portugal and Luxembourg. Although the Indentures will impose certain limitations on the amount of indebtedness that can be incurred by the Issuer and its subsidiaries, any indebtedness incurred by the subsidiaries of the Issuer in compliance with the Indentures will be structurally senior to the Notes to the extent that such subsidiaries do not guarantee the Notes or the amount of their guarantees is less than the principal amount of the outstanding Notes, and, within certain limitations, may be secured by other assets or receivables, making such indebtedness, effectively senior to the Notes. In the event of a bankruptcy or liquidation of any of these subsidiaries, such subsidiaries will pay the holders of their respective debt and their respective trade creditors before they will be able to distribute any of their assets to their respective parent entities and ultimately to the Issuer.
- (7) On or around the Issue Date, Lion / Seneca Lux 2 and Holding AA-OC will hold the Shareholder Bonds in a principal amount of approximately €96.3 million. The Shareholder Bonds will accrue pay-in-kind interest, mature on July 17, 2027, represent subordinated obligations of the Issuer and be expressly subordinated by their terms and the terms of the New Intercreditor Agreement to the Notes. See *"Description of Certain Other Indebtedness and Other Arrangements—Shareholder Bonds"* and *"Description of Certain Other Indebtedness and Other Arrangements—New Intercreditor Agreement"*.

## The Offering

The following is a brief summary of certain terms of the Offering of the Notes. It may not contain all the information that is important to you. For additional information regarding the Notes, see "*Description of the Senior Secured Notes*" and "*Description of the Senior Subordinated Notes*".

**Issuer** ..... Afflelou.

### Notes offered

Senior Secured Notes ..... €410.0 million aggregate principal amount of % senior secured notes due 2026 (the "**Senior Secured Notes**").

Senior Subordinated Notes ..... €75.0 million aggregate principal amount of senior subordinated floating rate notes due 2027 (the "**Senior Subordinated Notes**" and, together with the Senior Secured Notes, the "**Notes**").

**Issue Date** ..... , 2021.

### Issue Price

Senior Secured Notes ..... %, plus accrued and unpaid interest from and including the Issue Date.

Senior Subordinated Notes ..... %, plus accrued and unpaid interest from and including the Issue Date.

### Maturity Date

Senior Secured Notes ..... , 2026.

Senior Subordinated Notes ..... , 2027.

### Interest Rate

Senior Secured Notes ..... % per annum.

Senior Subordinated Notes ..... Three-month EURIBOR, with a 0% floor, plus basis points per annum, reset quarterly.

### Interest Payment Dates

Senior Secured Notes ..... The Issuer will pay interest semi-annually on the Senior Secured Notes on each and of each year, commencing on , 2021.

Senior Subordinated Notes ..... The Issuer will pay interest quarterly on the Senior Subordinated Notes on each , , and of each year, commencing on , 2021.

Interest on the Notes 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

Senior Secured Notes ..... The Senior Secured Notes will:

- be general senior secured obligations of the Issuer;
- be guaranteed on a senior basis by the Guarantors, subject to the limitations described in "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*";



- be secured as set forth below under "*Security*" along with obligations under the New Revolving Credit Facility and, if any, certain hedging obligations and certain other future indebtedness; however, holders of the Senior Secured Notes will receive proceeds from enforcement of the Collateral and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the New Revolving Credit Facility and, if any, certain hedging obligations and certain other future indebtedness, have been repaid in full;
- 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 Senior Secured Notes, including the Senior Subordinated Notes;
- rank *pari passu* in right of payment among themselves and with any existing and future indebtedness of the Issuer that is not expressly subordinated in right of payment to the Senior Secured Notes, including the obligations of the Issuer under the New Revolving Credit Facility, and, if any, certain hedging obligations;
- be structurally subordinated to any existing and future indebtedness of subsidiaries of the Issuer that are not Guarantors, including obligations owed to trade creditors and, to the extent drawings are borrowed by such subsidiaries, obligations under the New Revolving Credit Facility; and
- be effectively subordinated to all of the Issuer's existing and future indebtedness that is secured by assets that do not secure the Notes, to the extent of the value of the assets securing such indebtedness.

Pursuant to the New Intercreditor Agreement, after an acceleration event in respect of the Senior Secured Notes, the New Revolving Credit Facility, the Senior Subordinated Notes or other debt subject to the New Intercreditor Agreement, neither the Issuer nor the Guarantors may make payments in respect of the Senior Secured Notes or the Senior Secured Notes Guarantees (as defined below) except in connection with the realization or enforcement of the Collateral by the Security Agent as described under "*Description of Certain Other Indebtedness and Other Arrangements—New Intercreditor Agreement*", in which case such payments will be applied in respect of the New Revolving Credit Facility and, if any, certain hedging obligations and certain other future indebtedness until such obligations are repaid in full prior to the repayment of the Senior Secured Notes. See "*Description of Certain Other Indebtedness and Other Arrangements—New Intercreditor Agreement*".

Senior Subordinated Notes.....

The Senior Subordinated Notes will:

- be the general senior subordinated obligations of the Issuer;
- be guaranteed on a subordinated basis by the Guarantors, subject to the limitations described in

*"Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests";*

- be secured on second-priority basis as set forth below under "*—Security*";
- be contractually subordinated in right of payment to any existing and future senior indebtedness of the Issuer, including the Issuer's obligations under the Senior Secured Notes, the New Revolving Credit Facility and certain hedging obligations, if any.
- rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer (other than senior indebtedness) that is not expressly subordinated in right of payment to the Senior Subordinated Notes;
- be structurally subordinated to any existing and future indebtedness of subsidiaries of the Issuer (other than subsidiaries that are or that become Guarantors), including obligations owed to trade creditors and bilateral facilities and, to the extent drawings are borrowed by such non-Guarantor subsidiaries, obligations under the New Revolving Credit Facility; and
- be effectively subordinated to any existing and future indebtedness of the Issuer that is secured by property or assets that do not secure the Senior Subordinated Notes or that secure the Senior Subordinated Notes on a junior ranking basis, to the extent of the value of such property and assets, including the Collateral securing the Senior Secured Notes, the New Revolving Credit Facility and certain hedging obligations, if any.

Pursuant to the New Intercreditor Agreement, after an acceleration event in respect of the Senior Secured Notes, the New Revolving Credit Facility, the Senior Subordinated Notes or other debt subject to the New Intercreditor Agreement, neither the Issuer nor the Guarantors may make payments in respect of the Senior Subordinated Notes or the Senior Subordinated Notes Guarantees (as defined below) except in connection with the realization or enforcement of the Collateral by the Security Agent as described under "*Description of Certain Other Indebtedness and Other Arrangements—New Intercreditor Agreement*", in which case such payments will be applied in respect of the New Revolving Credit Facility, the Senior Secured Notes and, if any, certain hedging obligations and certain other future indebtedness until such obligations are repaid in full prior to the repayment of the Senior Subordinated Notes. See "*Description of Certain Other Indebtedness and Other Arrangements—New Intercreditor Agreement*".

## Guarantees .....

On or around the Issue Date, the Senior Secured Notes will be guaranteed on a senior basis (the "**Senior Secured Notes Guarantees**") and the Senior Subordinated Notes will be guaranteed on a subordinated basis (the "**Senior Subordinated Notes Guarantees**") and, together with the Senior Secured Notes Guarantees, the "**Guarantees**") by 3AB Optique Développement and Alain Afflelou

Franchiseur (the "**Issue Date Guarantors**") and, within 60 days of the Issue Date, by Alain Afflelou International, 3ABOE, LSFA and L'Opticien Afflelou (the "**Post-Issue Date Guarantors**" and, together with the Issue Date Guarantors, the "**Guarantors**").

The Guarantees will be granted on a joint and several basis and will be subject to the guarantee limitations described under "*Description of the Senior Secured Notes—Brief Description of the Senior Secured Notes, the Senior Secured Notes Guarantees and the Collateral—The Senior Secured Notes Guarantees*", "*Description of the Senior Subordinated Notes—Brief Description of the Senior Subordinated Notes, the Senior Subordinated Notes Guarantees and the Collateral—The Senior Subordinated Notes Guarantees*" and the Agreed Security Principles.

The Guarantees will be subject to certain contractual and legal limitations and defenses provided by French law, as described in "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*", "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*" and may be released under certain circumstances.

There are circumstances other than repayment or discharge of the Notes under which the Guarantees will be released automatically, without your consent or the consent of the relevant Trustee. See "*Description of the Senior Secured Notes—Brief Description of the Senior Secured Notes, the Senior Secured Notes Guarantees and the Collateral—Release of Senior Secured Notes Guarantees*" and "*Description of the Senior Subordinated Notes—Brief Description of the Senior Subordinated Notes, the Senior Subordinated Notes Guarantees and the Collateral—Release of Senior Subordinated Notes Guarantees*".

For the twelve months ended January 31, 2021, the Issuer and the Guarantors generated 75.5% of our revenue, 89.5% of our Adjusted EBITDA and as of January 31, 2021, constituted 89.4% of our total assets (in each case gross of intercompany balances and consolidation eliminations). The Guarantees will be subject to certain contractual and legal limitations under French law. See "*Description of the Senior Secured Notes—Note Guarantees*", "*Description of the Senior Subordinated Notes—Note Guarantees*", "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—Corporate benefit, financial assistance laws and other limitations on the Guarantees or the security interests may adversely affect the validity and enforceability of the Guarantees of the Notes or security interests in the Collateral*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*".

## Ranking of the Guarantees

Senior Secured Notes Guarantees .....	Each Senior Secured Notes Guarantee of a Guarantor will: <ul style="list-style-type: none"> <li>• be a general senior obligation of the Guarantor that granted such Senior Secured Notes Guarantee;</li> </ul>
---------------------------------------	--

- be secured by first-priority liens on the Collateral of that Guarantor as described below under "*Security—Senior Secured Notes*" along with obligations under the New Revolving Credit Facility Agreement and, if any, certain hedging obligations and certain other future indebtedness; however, holders of the Senior Secured Notes will receive proceeds from enforcement of the Collateral and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the New Revolving Credit Facility Agreement and, if any, certain hedging obligations and certain other future indebtedness, have been repaid in full;
- rank senior in right of payment to any existing and future indebtedness of that Guarantor that is expressly subordinated in right of payment to its Senior Secured Notes Guarantee, including its obligations under its Senior Subordinated Notes Guarantee;
- rank *pari passu* in right of payment with any existing and future indebtedness of that Guarantor that is not expressly subordinated in right of payment to its Senior Secured Notes Guarantee, including its obligations under the New Revolving Credit Facility and certain hedging obligations, if any;
- be effectively subordinated to any existing and future indebtedness of that Guarantor that is secured by property or assets other than the Collateral of that Guarantor, to the extent of the value of such property and assets, including the equipment and other assets securing that Guarantor's lease obligations; and
- be structurally subordinated to any existing and future indebtedness of subsidiaries of that Guarantor (other than subsidiaries that are or that become Guarantors), including obligations owed to trade creditors, bilateral facilities and, to the extent drawings are borrowed by such non-Guarantors subsidiaries, obligations under the New Revolving Credit Facility.

Senior Subordinated Notes Guarantees ..... Each Senior Subordinated Notes Guarantee of a Guarantor will:

- be a general senior subordinated obligation of the Guarantor that granted such Senior Subordinated Notes Guarantee;
- be secured by second-priority liens on the Collateral of that Guarantor as described below under "*Security—Senior Subordinated Notes*";
- rank *pari passu* in right of payment with any existing and future indebtedness of that Guarantor (other than senior indebtedness) that is not subordinated in right of payment to its Senior Subordinated Notes Guarantee;
- be contractually subordinated in right of payment to any existing and future senior indebtedness of

the Issuer, including that Guarantor's obligations under the Senior Secured Notes, the New Revolving Credit Facility and certain hedging obligations, if any;

- be effectively subordinated to any existing and future indebtedness of that Guarantor that is secured by property or assets of that Guarantor, to the extent of the value of such property and assets that do not secure its Senior Subordinated Notes Guarantee or that secure the Senior Subordinated Notes Guarantee on a junior ranking basis, including the Collateral securing the Senior Secured Notes, the New Revolving Credit Facility and certain hedging obligations, if any, and the equipment and other assets securing that Guarantor's lease obligations; and
- be structurally subordinated to any existing and future indebtedness of subsidiaries of that Guarantor (other than subsidiaries that are or that become Guarantors), including obligations owed to trade creditors, bilateral facilities and, to the extent drawings are borrowed by such non-Guarantors subsidiaries, obligations under the New Revolving Credit Facility.

## Security .....

On or about the Issue Date, the Senior Secured Notes will be secured by first-priority liens and the Senior Subordinated Notes will be secured by second-priority liens over collateral consisting of (i) pledges of certain securities accounts relating to all securities issued by or held in 3AB Optique Développement, Alain Afflelou Franchiseur, L'Opticien Afflelou, 3ABOE and Lion / Seneca France Audio, (ii) pledges of certain bank accounts of the Issuer and the Issue Date Guarantors and (iii) pledges of certain intercompany receivables owed to the Issuer and the Issue Date Guarantors (collectively, the "**Issue Date Collateral**").

Within 60 days of the Issue Date, the Senior Secured Notes will be secured by first-priority liens and the Senior Subordinated Notes will be secured by second-priority liens over collateral consisting of (i) all shares issued by or held in Alain Afflelou International and (ii) pledges of certain bank accounts of the Post-Issue Date Guarantors (collectively, the "**Post-Issue Date Collateral**" and, together with the Issue Date Collateral, the "**Collateral**").

Subject to the terms of the Security Documents, the Collateral will also secure on an equal and ratable basis with the Senior Secured Notes (and on a priority basis to the Senior Subordinated Notes) the obligations outstanding under the New Revolving Credit Facility Agreement and, if any, certain hedging obligations and certain future indebtedness; provided, however, that the proceeds of enforcement of the Collateral and certain distressed disposals will be applied to the repayment of the New Revolving Credit Facility and, if any, certain hedging obligations and certain other future indebtedness prior to being applied to the repayment of the Senior Secured Notes. The New Revolving Credit Facility will be guaranteed by the Guarantors on or prior to the Issue Date. See "*Description of Certain Other Indebtedness and Other Arrangements—New Revolving Credit Facility*" and

*"Description of Certain Other Indebtedness and Other Arrangements—New Intercreditor Agreement".*

For more information on the Collateral, see *"Description of the Senior Secured Notes—Security"* and *"Description of the Senior Subordinated Notes—Security"*.

The security interests in the Collateral will be subject to certain contractual and legal limitations and defenses provided by French law, as described in *"Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral"*, *"Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests"* and may be released under certain circumstances. See *"Description of the Senior Secured Notes—Security—Release of Liens"* and *"Description of the Senior Subordinated Notes—Security—Release of Liens"*.

## **Optional Redemption**

Senior Secured Notes..... At any time prior to \_\_\_\_\_, 2023, the Issuer may redeem all or a portion of the Senior Secured Notes at a redemption price equal to 100% of the principal amount of the Senior Secured Notes redeemed plus accrued and unpaid interest and additional amounts, if any, to the redemption date plus a "make whole" premium as described under *"Description of the Senior Secured Notes—Optional Redemption"*.

At any time on or after \_\_\_\_\_, 2023, the Issuer may redeem all or a portion of the Senior Secured Notes at the redemption prices set forth in this Offering Memorandum.

At any time prior to \_\_\_\_\_, 2023, the Issuer may on one or more occasions redeem up to 40% of the principal amount of the Senior Secured Notes, using the net proceeds from certain equity offerings at a redemption price equal to % of the principal amount of the Senior Secured Notes redeemed plus accrued and unpaid interest and additional amounts, if any, to the date of redemption; provided that at least 60% of the aggregate original principal amount of the Senior Secured Notes remains outstanding after the redemption. See *"Description of the Senior Secured Notes—Optional redemption"*.

Senior Subordinated Notes..... At any time prior to \_\_\_\_\_, 2023, the Issuer may redeem all or a portion of the Senior Subordinated Notes at a redemption price equal to 100% of the principal amount of the Senior Subordinated Notes redeemed plus accrued and unpaid interest and additional amounts, if any, to the redemption date plus a "make whole" premium as described under *"Description of the Senior Subordinated Notes—Optional Redemption"*.

At any time on or after \_\_\_\_\_, 2023, the Issuer may redeem all or a portion of the Senior Subordinated Notes at the redemption prices set forth in this Offering Memorandum.

**Optional Redemption for Tax Reasons .** In the event of certain developments affecting taxation or certain other circumstances which would require the Issuer to pay additional amounts, the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to,

but excluding the date of redemption. See "*Description of the Senior Secured Notes—Redemption for taxation reasons*" and "*Description of the Senior Subordinated Notes—Redemption for taxation reasons*".

**Additional Amounts**..... Any payments made by the Issuer with respect to the Notes will be made without withholding or deduction for taxes in any relevant taxing jurisdiction unless required by law. If the Issuer is required by law to withhold or deduct for such taxes with respect to a payment to the holders of Notes, the Issuer will pay the additional amounts necessary so that the net amount received by the holders of Notes after the withholding is not less than the amount that they would have received in the absence of the withholding, subject to certain exceptions. See "*Description of the Senior Secured Notes—Withholding taxes*" and "*Description of the Senior Subordinated Notes—Withholding taxes*".

**Change of Control**..... Upon the occurrence of certain events defined as constituting a change of control triggering event, the Issuer may 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 and additional amounts, if any, to the date of purchase. A change of control triggering event, however, will not be deemed to have occurred if a ratings downgrade has not occurred. In addition, even if a ratings downgrade has occurred, a change of control triggering event will not be deemed to have occurred if a consolidated net leverage ratio is not exceeded in connection with such event. See "*Description of the Senior Secured Notes—Change of control*" "*Description of the Senior Subordinated Notes—Change of control*".

**Certain covenants**..... The Indentures will restrict the ability of the Issuer and its restricted subsidiaries to, among other things:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or permit to exist certain liens;
- pay dividends, redeem capital stock and make certain investments;
- make certain other restricted payments;
- impose restrictions on the ability of the Issuer's subsidiaries to pay dividends or make other payments to us;
- 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.

Each of these covenants is subject to significant exceptions and qualifications. See "*Description of the Senior Secured Notes—Certain covenants*" and "*Description of the Senior Subordinated Notes—Certain covenants*".

<b>Use of Proceeds</b> .....	The gross proceeds from the Offering will amount to €485.0 million. We intend to use the gross proceeds from the Offering to (i) redeem and repay in full the Existing Notes, (ii) to repay the PGE Loans, (iii) make the Shareholder Bond Reimbursement and (iv) pay commissions, fees and expenses incurred in connection with the Transactions (including estimated fees, expenses and redemption costs to be incurred in connection with the Offering). See " <i>—Summary—The Transactions</i> " and " <i>Use of Proceeds</i> ".
<b>Transfer Restrictions</b> .....	The Notes have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction and are subject to restrictions on transferability and resale. See " <i>Transfer Restrictions</i> ". We have not agreed to, or otherwise undertaken to, nor do we intend to, register the Notes in the United States (including by way of an exchange offer) or file a shelf registration statement with respect to the Notes.
<b>Original Issue Discount</b> .....	The Notes may be issued with original issue discount (" <b>OID</b> ") for US federal income tax purposes. In such event, holders subject to US federal income tax will generally be required to include such OID in gross income (as ordinary income) as it accrues (on a constant yield to maturity basis) for US federal income tax purposes in advance of the receipt of cash payments to which such OID is attributable and regardless of the holder's regular method of accounting for US federal income tax purposes. See " <i>Certain Tax Considerations—Certain U.S. Federal Income Tax Considerations—Original Issue Discount</i> ".
<b>No established market</b> .....	The Notes will be new securities for which there are currently no established trading markets. Although the Initial Purchasers have advised us that they intend to make a market in each series of 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 either series of the Notes.
<b>Listing and trading</b> .....	Application will be made for the Notes to be listed on the Official List of Euronext Dublin and to admit them for trading on the Global Exchange Market thereof.
<b>Governing law for the Notes and the Indentures</b> .....	New York.
<b>Governing law for the Security Documents</b> .....	France and Luxembourg.
<b>Trustees</b> .....	U.S. Bank Trustees Limited.
<b>Registrars</b> .....	Elavon Financial Services DAC.
<b>Paying Agents, Transfer Agents and Calculation Agent</b> .....	Elavon Financial Services DAC.
<b>Security Agents</b> .....	U.S. Bank Trustees Limited.
<b>Listing Agents</b> .....	Walkers Listing Services Ltd.
<b>Risk Factors</b> .....	Investing in the Notes involves substantial risks and uncertainties. Please see the " <i>Risk Factors</i> " section for a description of certain of the risks you should carefully consider before investing in the Notes.



## Summary Historical Consolidated Financial Information and Other Data

The following tables present summary historical consolidated financial information of the Issuer as well as certain operating data. The summary historical consolidated financial information in the tables below is derived from the Issuer's audited consolidated financial statements for the fiscal years ended July 31, 2018, 2019 and 2020 prepared in accordance with IFRS and from the Issuer's unaudited interim condensed consolidated financial statements for the six months ended January 31, 2021, which include the unaudited comparative financial information for the six months ended January 31, 2020, prepared in accordance with IAS 34, the standard of IFRS as adopted by the European Union applicable to interim financial statements included elsewhere in this Offering Memorandum.

The Issuer's audited consolidated financial statements for the fiscal year ended July 31, 2018 were subject to an audit by Ernst & Young et Autres and Constantin Associés (member of Deloitte Touche Tohmatsu Limited), the Issuer's statutory auditors for the fiscal year ended July 31, 2018. The Issuer's audited consolidated financial statements for the fiscal years ended July 31, 2019 and 2020 were subject to an audit by Ernst & Young et Autres and Deloitte & Associés, the Issuer's statutory auditors for those years. The Issuer's unaudited interim condensed consolidated financial statements for the six months ended January 31, 2021, which include the unaudited comparative financial information for the six months ended January 31, 2020, were subject to a limited review by Ernst & Young et Autres and Deloitte & Associés, the Issuer's statutory auditors for such period. For the consolidated financial statements of the Issuer for the fiscal years ended July 31, 2018, 2019 and 2020, an English translation of the consolidated financial statements and a free English translation of the auditors' reports are included elsewhere in this Offering Memorandum. For the unaudited interim condensed consolidated financial statements for the six months ended January 31, 2021, the unaudited interim condensed consolidated financial statements and the related auditor's report are included elsewhere in this Offering Memorandum.

The statutory auditors' report of Constantin Associés (member of Deloitte Touche Tohmatsu Limited) and Ernst & Young et Autres on the audited consolidated financial statements for the fiscal year ended July 31, 2018, without modifying the audit opinion expressed therein, contains an emphasis of matter relating to Note 3.1 to the consolidated financial statements relating to the impact of the revenue recognition standard, IFRS 15, "Revenue from contracts with customers", adopted early by the Issuer as of August 1, 2017. The statutory auditors' report of Ernst & Young et Autres and Deloitte & Associés on the audited consolidated financial statements for the fiscal year ended July 31, 2019, without modifying the audit opinion expressed therein, contains an emphasis of matter drawing attention to the uncertainty related to the tax adjustments received from the tax authorities concerning tax loss carryforwards described in note 6.6.3 "Notifications, lawsuits and disputes" to the consolidated financial statements. The statutory auditors' report of Ernst & Young et Autres and Deloitte & Associés on the audited consolidated financial statements for the fiscal year ended July 31, 2020, without modifying the audit opinion expressed therein, contains emphases of matter drawing attention to the matters disclosed in note 4.1.1 "standards, amendments and interpretations as of August 1, 2019" to the consolidated financial statements relating the impact of the mandatory implementation of IFRS 16 "Leases" by August 1, 2019 and note 6.6.3 "Notification, lawsuits and disputes" to the consolidated financial statements which present the uncertainty related to the tax adjustments received from the tax authorities concerning tax loss carryforwards. The review report of Ernst & Young et Autres and Deloitte & Associés on the unaudited interim condensed consolidated financial statements for the six months ended January 31, 2021, without modifying the conclusion expressed therein, contains an emphasis of matter drawing attention to the matter disclosed in note 6.3.2, which describes lawsuits, disputes and related uncertainties.

In the course of the fiscal year ended July 31, 2018, due to the disappointing performance of the Optimil discount banner in Spain and the difficulties encountered in implementing the various components of the franchisor's offer in the store network of the Optimil banner, we decided to initiate the sale of the Optimil banner and focus on the development of the Alain Afflelou banner in Spain. Negotiations for a potential sale of our subsidiary managing the Optimil banner started in early 2018 and the disposal was completed at the end of October 2018. As a consequence, our discount banner activities in Spain were treated as discontinued operations in the income statement of our audited consolidated financial statements for fiscal years ended July 31, 2018, 2019 and 2020. However, the Optimil activities were not treated as discontinued operations in our consolidated statement of cash flows for either period.

The unaudited financial information of the Issuer for the twelve-month period ended January 31, 2021 was calculated by adding the unaudited interim condensed consolidated financial information for the six months ended January 31, 2021 extracted from the unaudited interim condensed consolidated financial statements as of and for the six-month period ended January 31, 2021, to the audited consolidated financial information for the fiscal year ended July 31, 2020 extracted from the audited consolidated financial statements as of and for the fiscal year ended July 31, 2020, and subtracting the unaudited interim condensed consolidated financial information for the six months ended January 31, 2020 extracted from the unaudited comparative

financial information for the six-month period ended January 31, 2020 included in the unaudited interim condensed consolidated financial statements as of and for the six-month period ended January 31, 2021.

The following tables should be read in conjunction with the information contained in "Presentation of Financial and Other Information", "Use of Proceeds", "Capitalization", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Issuer's consolidated financial statements and related notes included elsewhere in this Offering Memorandum.

### Consolidated income statement information

(in € millions)	For the fiscal year ended July 31,				For the six months ended January 31,	
	2018	2019	2020 (pre-IFRS 16)	2020 (post-IFRS 16)	2020	2021
<b>Revenue</b> .....	<b>380.3</b>	<b>373.0</b>	<b>309.2</b>	<b>309.2</b>	<b>172.3</b>	<b>184.5</b>
Cost of purchases .....	(201.2)	(190.7)	(160.7)	(160.7)	(84.0)	(92.3)
Wages and salaries including social security contributions.....	(57.4)	(55.8)	(54.1)	(54.1)	(28.5)	(29.3)
Other purchases and external expenses .....	(41.0)	(41.1)	(39.3)	(24.4)	(11.9)	(11.2)
Duties and taxes other than income tax.....	(2.5)	(2.2)	(2.3)	(2.3)	(1.1)	(1.2)
Depreciation, amortization and impairment .....	(12.4)	(9.7)	(5.2)	(17.9)	(10.4)	(10.8)
<b>Operating income from ordinary activities</b> .....	<b>65.8</b>	<b>73.4</b>	<b>47.7</b>	<b>49.9</b>	<b>36.4</b>	<b>39.8</b>
Other non-recurring operating items .....	(13.5)	(8.7)	(1.8)	(1.8)	(0.1)	(3.0)
<b>Operating profit</b> .....	<b>52.3</b>	<b>64.9</b>	<b>45.9</b>	<b>48.1</b>	<b>36.5</b>	<b>36.8</b>
Financial income/(expense).....	3.3	2.2	2.7	3.8	1.1	1.0
Borrowing costs.....	(74.4)	(53.9)	(54.1)	(58.0)	(28.3)	(31.7)
Other financial expense.....	(2.9)	(3.8)	(3.6)	(3.6)	(1.6)	(1.4)
<b>Net financial income/(expense)</b> .....	<b>(73.9)</b>	<b>(55.4)</b>	<b>(55.0)</b>	<b>(57.8)</b>	<b>(28.7)</b>	<b>(32.1)</b>
<b>Net (loss)/income before tax of consolidated companies</b> .....	<b>(21.6)</b>	<b>9.4</b>	<b>(9.1)</b>	<b>(9.6)</b>	<b>7.8</b>	<b>4.6</b>
Tax income/(expense).....	(3.7)	(3.6)	(2.7)	(2.7)	(2.1)	(2.1)
Deferred tax .....	19.7	2.1	1.5	1.6	-	(0.3)
<b>Tax income/(expense)</b> .....	<b>16.0</b>	<b>(1.4)</b>	<b>(1.2)</b>	<b>(1.1)</b>	<b>(2.1)</b>	<b>(2.4)</b>
<b>Net (loss)/income from continuing operations</b> .....	<b>(5.6)</b>	<b>8.0</b>	<b>(10.3)</b>	<b>(10.7)</b>	<b>5.7</b>	<b>2.2</b>
Net (loss)/income from discontinued operations .....	(2.4)	(1.2)	0.1	0.1	-	0.4
<b>Net (loss)/income</b> .....	<b>(8.0)</b>	<b>6.8</b>	<b>(10.1)</b>	<b>(10.5)</b>	<b>5.7</b>	<b>2.6</b>

- (1) In the course of the fiscal year ended July 31, 2018, due to the disappointing performance of the Optimil discount banner in Spain and the difficulties encountered in implementing the various components of the franchisor's offer in the store network of the Optimil banner, we decided to initiate the sale of the Optimil banner and focus on the development of the Alain Afflelou banner in Spain. Negotiations for a potential sale of our subsidiary managing the Optimil banner started in early 2018 and the disposal was completed at the end of October 2018. As a consequence, our discount banner activities in Spain were treated as discontinued operations in the income statement of our audited consolidated financial statements for fiscal years ended July 31, 2018, 2019 and 2020. However, the Optimil activities were not treated as discontinued operations in our consolidated statement of cash flows for either period.

## Condensed consolidated statement of financial position information

(in € millions)	For the fiscal year ended July 31,			For the six months ended January 31,
	2018	2019	2020	2021
<b>Assets</b>				
Goodwill .....	171.5	171.4	213.3	212.6
Trademarks .....	657.6	657.1	657.1	657.1
Intangible assets .....	57.9	60.6	9.3	11.2
Property, plant and equipment .....	19.3	17.0	20.4	21.7
Right-of-use assets .....	-	-	61.1	64.1
Other financial assets .....	13.5	13.2	14.3	15.5
Long-term sublease receivables .....	-	-	16.1	15.6
Deferred tax assets .....	2.8	2.5	7.1	2.3
<b>Non-current assets</b> .....	<b>922.8</b>	<b>921.8</b>	<b>998.8</b>	<b>999.9</b>
Inventories .....	28.2	27.9	27.1	28.0
Trade receivables .....	69.8	60.7	74.3	66.2
Other current assets .....	94.3	82.7	86.7	75.2
Short-term sublease receivables .....	-	-	3.1	3.0
Cash and cash equivalents .....	37.6	35.7	76.9	117.4
Assets held for sale .....	2.0	-	-	-
<b>Current assets</b> .....	<b>231.8</b>	<b>207.0</b>	<b>268.2</b>	<b>289.8</b>
<b>Total assets</b> .....	<b>1,154.7</b>	<b>1,128.8</b>	<b>1,267.0</b>	<b>1,289.7</b>
<b>Equity and liabilities</b>				
Share capital .....	233.5	233.5	231.5	231.5
Other reserves .....	10.9	(4.3)	(3.3)	(13.9)
Net income for the period .....	(8.0)	6.8	(10.5)	2.6
Other comprehensive income .....	0.0	(0.2)	(0.3)	(0.2)
<b>Total equity</b> .....	<b>236.4</b>	<b>235.8</b>	<b>217.4</b>	<b>220.0</b>
Non-current borrowings .....	628.7	612.6	647.5	668.0
Long-term lease liabilities .....	-	-	68.0	70.6
Deferred tax liabilities .....	126.6	122.1	118.7	114.2
Employee benefits and similar .....	2.0	2.3	2.4	<b>2.6</b>
Non-current provisions .....	4.3	4.6	4.2	3.6
<b>Non-current liabilities</b> .....	<b>761.6</b>	<b>741.7</b>	<b>840.8</b>	859.1
Current borrowings .....	3.5	3.2	33.1	33.0
Short-term lease liabilities .....	-	-	15.7	15.7
Current provisions .....	0.2	0.1	0.1	0.1
Trade payables .....	39.5	44.3	54.5	55.2
Derivative financial liabilities .....	0.5	0.6	0.4	0.3
Tax payable .....	5.9	1.4	1.1	1.0
Other current liabilities .....	106.8	101.8	104.0	105.3
<b>Current liabilities</b> .....	<b>156.6</b>	<b>151.3</b>	<b>208.8</b>	<b>210.6</b>
<b>Total equity and liabilities</b> .....	<b>1,154.7</b>	<b>1,128.8</b>	<b>1,267.0</b>	<b>1,289.7</b>

## Consolidated statement of cash flows information

	For the fiscal year ended July 31,				For the six months ended January 31,	
	2018	2019	2020 (pre-IFRS 16)	2020 (post-IFRS 16)	2020	2021
<i>(in € millions)</i>						
Net cash from operating activities.....	69.4	86.2	43.6	58.8	42.9	68.1
Net cash used in investing activities.....	(10.7)	(8.2)	(13.1)	(9.3)	(1.8)	(8.9)
Net cash from/(used in) financing activities .....	(56.5)	(79.8)	10.7	(8.4)	(18.6)	(18.7)
<b>Net change in cash.....</b>	<b>2.2</b>	<b>(1.8)</b>	<b>41.2</b>	<b>41.2</b>	<b>22.5</b>	<b>40.5</b>
Cash and cash equivalents at beginning of period .....	35.2	37.5	35.7	35.7	35.7	76.9
Cash and cash equivalents at end of period .....	37.5	35.7	76.9	76.9	58.2	117.4

## Other financial information

	As of and for the fiscal year ended July 31,				As of and for the six months ended January 31,		As of and for the twelve months ended January 31,
	2018	2019	2020 (pre-IFRS 16) <sup>(*)</sup>	2020 (post-IFRS 16)	2020	2021	2021
<i>(in € millions, except percentages)</i>							
Adjusted EBITDA <sup>(1)</sup> .....	79.0	83.8	55.6	70.6	47.7	52.4	75.3
Adjusted EBITDA margin <sup>(2)</sup> .....	20.8%	22.5%	18.0%	22.9%	27.7%	28.4%	23.4%
Net interest expense <sup>(3)</sup> .....							22.9
Third-party gross debt <sup>(4)</sup> .....							516.6
Cash and cash equivalents .....							117.4
Third-party net debt <sup>(5)</sup> .....							399.2
Ratio of third-party net debt <sup>(5)</sup> to Adjusted EBITDA <sup>(1)</sup> .....							5.3x

<sup>(\*)</sup> IFRS 16 has been applied by the Group from August 1, 2019. As such, the Group's results for fiscal year 2020 onwards reflect this standard. For ease of comparison with prior periods, we also present our fiscal year 2020 results on a pre-IFRS 16 basis (i.e., as though the standard had not been applicable).

	For the fiscal year ended July 31,				For the six months ended January 31,		For the twelve months ended January 31,
	2018	2019	2020 (pre-IFRS 16)	2020 (post-IFRS 16)	2020	2021	2021
<i>(in € millions, except percentages)</i>							
Adjusted EBITDA <sup>(1)</sup> .....	79.0	83.8	55.6	70.6	47.7	52.4	75.3
Income tax paid .....	(3.6)	(4.8)	(4.3)	(4.3)	(2.9)	(1.3)	(2.7)
Net capital expenditure <sup>(6)</sup> .....	(8.9)	(5.8)	(11.9)	(11.9)	(3.1)	(10.2)	(19.0)
Free cash flow <sup>(7)</sup> .....	66.6	73.3	39.4	54.4	41.7	40.9	53.6
Free cash flow conversion <sup>(8)</sup> .....	84.3%	87.4%	70.8%	77.0%	87.3%	78.0%	71.2%

## Other as adjusted financial information

(in € millions, except percentages and ratios)	For the twelve months ended January 31, 2021	For the Normalized Period ended January 31, 2021 <sup>(14)</sup>
As adjusted third-party gross debt as of January 31, 2021 <sup>(9)</sup> .....	552.7	-
As adjusted cash and cash equivalents <sup>(10)</sup> .....	11.4	-
As adjusted third-party net debt <sup>(11)</sup> .....	541.3	-
As adjusted net interest expense <sup>(12)</sup> .....	-	-
Ratio of As adjusted third-party net debt <sup>(11)</sup> to Normalized EBITDA <sup>(14)</sup> .....	-	5.2x
Ratio of Normalized EBITDA <sup>(14)</sup> to As adjusted net interest expense <sup>(12)</sup> .....	-	x

- (1) **"Adjusted EBITDA"** is defined as operating income from ordinary activities (excluding non-recurring items and the impact on income from discontinued operations) as presented in the Issuer's consolidated financial statements, before (i) depreciation and amortization of property, plant and equipment, and intangible assets and right-of-use assets, (ii) changes in provisions for trade receivables and inventories and provisions for depreciation of right-of-use assets on property, plant and equipment and (iii) the management fees and bonuses payable to management. See *"Presentation of Financial and Other Information—Other Financial Measures"*. The following table sets forth a reconciliation of operating income from ordinary activities to Adjusted EBITDA for the periods indicated.

	For the fiscal year ended July 31,				For the six months ended January 31,		For the twelve months ended January 31,
			2020	2020			
(in € millions)	2018	2019 <sup>(a)</sup>	(pre-IFRS 16)	(post-IFRS 16)	2020	2021	2021
<b>Operating income from ordinary activities</b> .....	<b>65.8</b>	<b>73.5</b>	<b>47.7</b>	<b>49.9</b>	<b>36.4</b>	<b>39.8</b>	<b>53.3</b>
Amortization of intangible assets .....	2.7	2.6	3.2	3.2	1.4	2.2	4.0
Depreciation of property, plant and equipment and right-of-use assets .....	6.3	5.4	6.2	18.9	9.2	9.5	19.2
Changes in provisions for trade receivables and inventories and provisions for depreciation of right-of-use assets on property, plant and equipment .....	3.1	1.2	(3.9)	(3.9)	0.2	(0.5)	(4.6)
Management fees and bonuses .....	1.1	1.0	2.5	2.5	0.6	1.5	3.4
<b>Adjusted EBITDA</b> .....	<b>79.0</b>	<b>83.8</b>	<b>55.6</b>	<b>70.6</b>	<b>47.7</b>	<b>52.4</b>	<b>75.3</b>

- (2) **"Adjusted EBITDA margin"** is defined as Adjusted EBITDA divided by revenue.
- (3) **"Net interest expense"** is defined as gross borrowing costs less capitalized interest expense less accrued but unpaid interest. For a full breakdown of its constituent components, see note 6.1.7 to the Issuer's consolidated financial statements for the fiscal year ended July 31, 2019 and for the fiscal year ended July 31, 2020 and note 3.1 to the Issuer's consolidated financial statements as of and for the six months ended January 31, 2021 included elsewhere in this Offering Memorandum.
- (4) **"Third-party gross debt"** refers to total borrowings and other financial liabilities not taking into account the IFRS impact of capitalized issuance costs but including accrued interest *minus* total Shareholder Bonds and net of sublease liabilities.
- (5) **"Third-party net debt"** refers to third-party gross debt including accrued interest *minus* cash and cash equivalents as appearing on our balance sheet.
- (6) **"Net capital expenditure"** refers to (i) purchases of intangible assets, (ii) purchases of property, plant and equipment and (iii) proceeds from disposal of intangible assets and property, plant and equipment.
- (7) **"Free cash flow"** is defined as Adjusted EBITDA *minus* (i) net capital expenditure and (ii) income tax paid. Free cash flow is not a presentation made in accordance with IFRS and should not be considered as an alternative to measures of liquidity of financial position as determined in accordance with IFRS. Free cash flow is not necessarily comparable to similarly titled measures used by other companies. As a result, you should not consider this measure in isolation from, or as a substitute for analysis of, the Issuer's cash flows as determined in accordance with IFRS.
- (8) **"Free cash flow conversion"** is defined as (x) Adjusted EBITDA *minus* (i) net capital expenditure and (ii) income tax paid divided by (y) Adjusted EBITDA. Free cash flow conversion is not a presentation made in accordance with IFRS and should not be considered as an alternative to measures of liquidity of financial position as determined in accordance with IFRS. Free cash flow conversion is not necessarily comparable to similarly titled measures used by other companies. As a result, you should not consider this measure in isolation from, or as a substitute for analysis of, the Issuer's cash flows as determined in accordance with IFRS.

- (9) **"As adjusted third-party gross debt"** is defined as third-party gross debt as of January 31, 2021 as adjusted for the Transactions.
- (10) **"As adjusted cash and cash equivalents"** is defined as cash and cash equivalents of the Issuer after adjustments to give effect to the Transactions as further described in footnote 1 under *"Capitalization"*.
- (11) **"As adjusted third-party net debt"** is defined as As adjusted third-party gross debt *less* As adjusted cash and cash equivalents as of January 31, 2021.
- (12) **"As adjusted net interest expense"** represents net interest expense of the Issuer on third-party gross debt for the twelve months ended January 31, 2021, as though the Transactions had occurred on February 1, 2020. As adjusted net interest expense has been presented for illustrative purposes only and does not purport to be what our interest expense would have actually been had the Transactions occurred on the date assumed, nor does it purport to project the Issuer's interest expense for any future period or the Issuer's financial condition at any future date. As adjusted net interest expense excludes charges allocated to debt issuance costs.

### **Normalized EBITDA for the Normalized Period ended January 31, 2021**

<i>(in € millions, except ratio)</i>	<b>For the Normalized Period ended January 31, 2021,<sup>(14)</sup></b>
Adjusted EBITDA for the six months ended July 31, 2019 <sup>(13)</sup> .....	51.7
Adjusted EBITDA for the six months ended January 31, 2021 .....	52.4
Normalized EBITDA for the twelve months ended January 31, 2021, substituting the six months ended July 31, 2020 with the six months ended July 31, 2019 due to COVID-19 <sup>(14)</sup>	104.1

- (13) **"Adjusted EBITDA for the six months ended July 31, 2019"** is calculated by subtracting the Adjusted EBITDA for the six months ended January 31, 2019 (€39.7 million) from the Adjusted EBITDA for the fiscal year ended July 31, 2019, (€83.8 million (pre-IFRS 16)), in each case adjusted to reflect the unaudited estimated impact of IFRS 16 on such periods. As IFRS 16 was adopted by the Group as of August 1, 2019, the impact of IFRS 16 on our Adjusted EBITDA for the six months ended July 31, 2019 has not previously been calculated by the Group. As such, the pre-IFRS 16 Adjusted EBITDA for the six months ended July 31, 2019 amounted to €44.2 million. For purposes of estimating the impact of IFRS 16 on our Adjusted EBITDA for the six months ended July 31, 2019, the Group has used the amount of rents associated with operating leases for the six months ended July 31, 2020 (€7.5 million) for the adjusted amount, as compared to €7.7 million for the six months ended July 31, 2019. The Group believes that the amount of rents associated with operating leases are generally stable from one financial period to another.
- (14) As a result of the COVID-19 pandemic and the confinement measures imposed by the governments in our core markets, many of the stores in our networks were closed for almost two months during the second half of the fiscal year ended July 31, 2020. While they were closed, these stores recorded no revenue. As a result, our historical results of operations for the six months ended July 31, 2020 do not reflect what the performance of our business would have been had such confinement measures not been implemented. In order to assist in the comparability of our results of operations for the twelve months ended January 31, 2021 as compared to prior and future periods, we present herein **"Normalized EBITDA"** for the twelve months ended January 31, 2021, which has been calculated by adding our Adjusted EBITDA for the six months ended January 31, 2021 (the first half of the fiscal year ending July 31, 2021) (which reflects the application of IFRS 16) to our Adjusted EBITDA for the six months ended July 31, 2019 (the second half of the fiscal year ended July 31, 2019, as adjusted to reflect an estimate of the impact of the application of IFRS 16 during that period) (the **"Normalized Period"**). We believe that Normalized EBITDA for the twelve months ended January 31, 2021 is a measure that assists in understanding our performance by substituting Adjusted EBITDA for the six months ended July 31, 2020 with Adjusted EBITDA for the six months ended July 31, 2019, which is more representative of our Adjusted EBITDA performance and takes into account the cyclicity of our business. Normalized EBITDA presented herein is for informational purposes only. Normalized EBITDA for the twelve months ended January 31, 2021 might not represent what our Adjusted EBITDA would have been for the same period had the confinement measures not been implemented. In particular, Normalized EBITDA does not (i) give effect to any other event, favorable or unfavorable, that happened or could have happened during the six months ended July 31, 2020, other than the events directly related to the COVID-19 pandemic, including the impact of the 100% Santé changes in the optical sector or the increase in number of our stores or (ii) adjust for the positive or negative effect of the ongoing COVID-19 pandemic during the six months ended January 31, 2021, in particular the impact of catchup demand for our products during periods immediately following the reopening of our stores after the end of confinement measures, as well as the impact of further restrictive measures which have been implemented by the governments in the countries in which we operate, notably in November 2020 and January 2021 in France, in response to the resurgence of the COVID-19 pandemic. The normalized and estimated information presented above has been prepared by, and is the responsibility of, management and has not been audited or reviewed and has not been subject to agreed upon procedures by our statutory auditors in accordance with any generally accepted auditing standards. This information has been prepared on the basis of certain assumptions as described herein but such assumptions do not take into account all conceivable variables and are therefore inherently subject to risks and uncertainties. In addition, such assumptions may not give an accurate or complete picture of the Issuer's financial condition or results of operations, may not be comparable to the Issuer's consolidated financial statements or the other financial information included in this Offering Memorandum and undue reliance should not be placed upon them when evaluating an investment decision. See *"Presentation of Financial and Other Information—Other Financial Measures"* and *"Risk Factors—The adjustments to Normalized EBITDA presented in this Offering Memorandum should be treated with caution when making an investment decision"*.

The chart below presents the quarterly contributions to Normalized EBITDA on both a pre-IFRS 16 basis and a post-IFRS 16 basis, for the quarters ended January 31, 2021 (the second quarter of the current fiscal year), October 31, 2020 (the first quarter of the current fiscal year), July 31, 2019 (the fourth quarter of the fiscal year ended July 31, 2019) and April 30, 2019 (the third quarter of the fiscal year ended July 31, 2019).

(in € millions)	pre-IFRS 16	post-IFRS 16
Three-month period ended January 31, 2021 .....	22.3	26.2
Three-month period ended October 31, 2020 .....	22.5	26.2
Three-month period ended July 31, 2019 .....	25.2	28.9
Three-month period ended April 30, 2019.....	19.0	22.8
<b>LTM Normalized EBITDA as of January 31, 2021</b>	<b>89.0</b>	<b>104.1</b>

### Operating and segment information

	As of and for the fiscal year ended July 31,			As of and for the six months ended January 31,		As of and for the twelve months ended January 31,
(in € millions, except percentages and number of stores)	2018	2019	2020	2020	2021	2021
<b>Revenue<sup>(1)</sup></b> .....	<b>380.3</b>	<b>373.0</b>	<b>309.2</b>	<b>172.3</b>	<b>184.5</b>	<b>321.4</b>
<b>Total network sales<sup>(2)</sup></b> .....	<b>781.5</b>	<b>818.5</b>	<b>697.1</b>	<b>388.0</b>	<b>428.8</b>	<b>737.9</b>
of which France.....	607.0	636.6	539.5	296.7	334.4	577.2
of which Spain <sup>(3)</sup> .....	120.9	124.5	107.4	62.8	63.9	108.5
of which Other countries .....	53.6	57.4	50.2	28.5	30.5	52.2
<b>Store count at the end of the period<sup>(3)</sup></b> .....	<b>1,460</b>	<b>1,425</b>	<b>1,429</b>	<b>1,417</b>	<b>1,435</b>	<b>1,435</b>
of which France.....	978	957	961	950	958	958
of which Spain.....	341	328	328	327	336	336
of which Other countries .....	141	140	140	140	141	141
<b>Like-for-like network sales growth<sup>(4)</sup></b> .....	<b>1.5%</b>	<b>5.1%</b>	<b>(14.1%)</b>	<b>(1.8%)</b>	<b>10.0%</b>	<b>-</b>
of which France.....	1.5%	4.8%	(14.4%)	(2.7%)	12.4%	-
of which Spain.....	1.5%	5.5%	(12.7%)	2.1%	0.8%	-
of which Other countries .....	0.6%	7.0%	(13.7%)	(0.7%)	7.4%	-

- (1) In the course of the fiscal year ended July 31, 2018, due to the disappointing performance of the Optimil discount banner in Spain and the difficulties encountered in implementing the various components of the franchisor's offer in the store network of the Optimil banner, we decided to initiate the sale of the Optimil banner and focus on the development of the Alain Afflelou banner in Spain. Negotiations for a potential sale of our subsidiary managing the Optimil banner started in early 2018 and the disposal was completed at the end of October 2018. As a consequence, our discount banner activities in Spain were treated as discontinued operations in the income statement of our audited consolidated financial statements for fiscal years ended July 31, 2018, 2019 and 2020.
- (2) Excluding VAT. Network sales are not an audited figure and therefore investors should not place undue reliance on network sales. See "Presentation of Financial and Other Information—Other Financial Measures".
- (3) Excluding Optimil. See "Presentation of Financial and Other Information—Optimil disposal in 2018".
- (4) The growth in like-for-like network sales for a given period corresponds to the increase in network sales in stores which were open throughout the entire relevant period under consideration and the entire prior comparative period and for which no substantial changes (such as construction or refurbishment work with a duration of more than one month) or closed have occurred during period under consideration. Like-for-like network sales are calculated at constant exchange rates (applying the prior year's exchange rates to the current year), as a very small portion of network sales are currently exposed to currency risk.

## **Risk Factors**

*An investment in the Notes involves a high degree of risk. You should carefully consider the following risks, together with other information provided to you in this Offering Memorandum, in deciding whether to invest in the Notes. The occurrence of any of the events discussed below, individually or together, could materially adversely affect our business, financial condition, results of operations and prospects. If these events occur, the trading prices of the Notes could decline, and we may not be able to pay any or part of the interest or principal on the Notes, and you may lose all or part of your investment. Additional risks not currently known to us or that we now deem immaterial could also adversely affect our business, results of operations, financial condition and prospects or our ability to fulfill our obligations under the Notes, which in turn would affect your investment in the Notes.*

*This Offering Memorandum contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include those discussed below and elsewhere in this Offering Memorandum. See "Forward-Looking Statements".*

### **Risks related to our business and industry**

#### ***Risks related to macroeconomic conditions***

*The negative impact of COVID-19 on our business is significant and its effects will continue to materially negatively impact our business, financial condition and results of operations due to many factors, some of which are beyond our control.*

In late 2019, a new strain of coronavirus was detected in Wuhan, China. In March 2020, the World Health Organization declared COVID-19 a global pandemic and governmental authorities around the world implemented measures to reduce the spread of COVID-19. These measures have adversely affected workforces, consumer sentiment, economies and financial markets, and, along with decreased consumer spending and widespread uncertainty following months of confinements, have led to an economic downturn in our markets and have had a direct impact on our business across all of the countries in which we operate. In March 2020, the governments of the countries in which we operate imposed significant confinement measures in order to control the spread of COVID-19 and, in doing so, required the temporary closure of materially all of our stores and, as a result, almost all our revenues ceased until the phased reopening of our stores in May and June, 2020. Due to restrictions on large gatherings, our stores located in shopping malls over 10,000 square feet continue to be closed.

Resurgences (or "waves") of COVID-19 have occurred and are likely to continue to occur. We cannot predict when or where these waves will occur, how far into the future such waves will continue to occur nor can we predict with any certainty the impacts of such subsequent waves, including the impacts of future national or local confinements or other measures implemented by the governments and/or local or regional authorities of the countries in which we operate. As of the date of this Offering Memorandum, there are indications that a third wave of COVID-19 is underway in some of the geographies in which we operate and new national and regional restrictions intended to mitigate the spread of COVID-19 are being put into place.

In France, due to the persistence of a large number of new infections in the population, the appearance of coronavirus variants and ongoing pressure on the health system, combined with a slow rollout of vaccinations (with 5.3 million people vaccinated at mid-March 2021), the government made the decision to put in place a new nighttime curfew that begins at 18:00 every day (19:00 from March 20, 2021), which has been in effect since mid-January 2021. In addition, the government has been enforcing closures of shopping centers of over 20,000 square meters nationwide since January 31, 2021 and of shopping centers of over 10,000 square meters nationwide since March 6, 2021. For the month of February 2021, the first wave of closures in French shopping centers impacted 130 of our stores, of which 119 are Alain Afflelou optical stores, representing around 17% of total network sales (in France, as measured on the basis of the fiscal year ended July 31, 2019, our last full-year results pre-COVID-19). These current partial restrictions, which commenced across 16 French departments (out of 96 in the metropolitan territory), including the Ile-de-France, on March 20, 2021, were extended to the whole French territory on April 3, 2021, and are planned to last four weeks, and will allow, as in November, essential businesses to remain open, apart from those in shopping centers already closed. The new restrictive measures in smaller shopping centers increased the number of our stores which must be closed by approximately 35 stores to approximately 165, of which approximately 150 were Alain Afflelou optical stores, (representing



approximately 20% of our total network sales, as measured on the basis of the fiscal year ended July 31, 2019, our last full-year results pre-COVID-19).

Certain restrictions limit the operating hours and maximum capacity of certain businesses, as well as requiring that masks are worn and social distancing be observed by patrons of such businesses, recommending that physical contact and requiring group gatherings be limited. In light of rising case levels across Europe, future national and local confinements are foreseeable in all of the countries in which we operate.

Even when our stores are open, social distancing and other policies implemented to slow the further spread of the disease have impacted and are likely to continue to impact the operation and appeal of our stores. For example, customers unaccustomed to waiting significant periods of time before entering stores or to wearing masks or other protective equipment may choose to reduce their visits to brick-and-mortar stores. When social distancing policies are lifted, interest in visiting our stores may remain weak due to health concerns or changes in consumer preferences in favor of online shopping, for example. We cannot predict when or even if our stores will return to or maintain pre-pandemic business levels, or if they will be able to maintain pre-pandemic business levels over the mid- to long-term, especially if subsequent waves continue to occur. Additionally, policies implemented to slow the further spread of the disease have impacted and will continue to impact our cost of doing business due to, among other things, the increased cost associated with hygiene measures and track and trace programs, as applicable.

Our business is sensitive to reductions in discretionary spending by consumers, public health events and other factors described in this "*Risk Factors*" section. To date, the COVID-19 pandemic has caused, and is continuing to cause, significant disruption in economic activity globally, which could lead to a decline in discretionary spending. Our revenue may be negatively impacted by the adverse changes in the perceived or actual economic climate, including higher unemployment rates, declines in income levels and loss of personal wealth resulting from the impact of COVID-19. Our revenue may not increase in proportion to our fixed costs and deferred costs and our revenue may not be sufficient to offset the full impact of the shutdown of our stores during the confinement periods. If our cost base is higher than our revenue, our cash management policies may fail due to factors beyond our control. We and our franchisees have taken extensive measures to protect our customers and our workforce, in order to minimize their exposure to COVID-19. However, we cannot be certain that such measures will be sufficient to mitigate the risks posed by COVID-19 and we may be subject to potential litigation as a result of customers or our personnel who contract, or believe they have contracted, the virus at our stores. We may also be subject to potential litigation initiated by employees alleging that we have facilitated an unsafe working environment or have increased their exposure to COVID-19. We may also be at risk of litigation following a possible outbreak of coronavirus at one of our stores, which may cause us to incur further significant costs. In addition, any actual or perceived coronavirus outbreak in one of our stores could have a negative impact on our reputation. All of these risks may be further exacerbated by resurgences of the virus. Although governments have increasingly employed sophisticated strategies for combatting the virus, the magnitude of possible virus resurgences and the resulting impacts on the economy may materially negatively impact our business, financial condition, and results of operations.

Certain of our employees have tested positive for COVID-19. We have been, and may in the future be, required to temporarily close certain of our stores, offices or other facilities for cleaning or to take other responsive or precautionary measures. Store closures for more than 24 hours due to positive cases of COVID-19 in 2020 and 2021 through March 31, 2021 were very rare. Likewise, planned construction, renovation and maintenance, as well as the opening of new stores, have been and may continue to be delayed, suspended or terminated in order to protect our liquidity and cash position and due to COVID-19-related restrictions. Where appropriate and possible, we have transitioned a significant number of our employees to a remote work environment, which may exacerbate our vulnerability to certain risks, including, for example, cybersecurity attacks and phishing emails, which we believe is an increased risk to our business in a remote work environment.

During the first wave of COVID-19 confinements, we relied on access to government aid and mitigation programs, including access to French state-backed lending. We cannot provide any assurance that during any subsequent waves of COVID-19 and related confinements such government aid will be available to the same extent as in the past or at all and, if this were the case, our cash outlay levels would be significantly higher during such subsequent waves than they were during the initial wave. Were government support to not be available, or to be available on a more limited basis, we would only

be able to rely on our ability to pause capital expenditures, implement cost reductions and defer payments, which could significantly reduce our overall ability to mitigate cash burn.

In addition to the factors listed above, COVID-19 and the measures taken to respond to it have created an environment of uncertainty and rapid, unpredictable changes that exacerbates and magnifies certain of the other risks we face. The effect of COVID-19 on our business and our industry will ultimately depend on a number of factors, including, but not limited to, the duration and severity of the outbreak, the length of time it takes for demand and pricing to return and for normal economic and operating conditions to resume, and the potential for virus resurgence across the markets in which we operate. There are no comparable recent events that provide us with guidance, and so we cannot currently estimate this with any certainty nor can we provide any assurance that COVID-19 will not continue to have a material adverse effect on our business, financial condition and results of operations. To the extent COVID-19 continues to adversely affect our business, operations, financial condition and operating results, it may also have the effect of heightening other risks described in this "*Risk Factors*" section, such as those relating to our high level of indebtedness, our need to generate sufficient cash flows to service our indebtedness, and our ability to comply with the covenants contained in the agreements that govern our indebtedness.

*We are exposed to macroeconomic and other macro trends that could diminish demand for our products.*

Our principal domestic markets are France and Spain, which represented 66.8% and 23.4%, respectively, and 90.2% collectively, of our stores as of January 31, 2021. Additionally, France and Spain generated 78.0% and 14.9%, respectively, and 92.9%, collectively, of network sales for the six months ended January 31, 2021. As a result, we are particularly influenced by economic developments in France and Spain and a significant economic downturn in either country could have a material adverse effect on our business. In addition, our franchise operations elsewhere indirectly expose us to economic trends in those countries because our franchisor revenue is related in part to the level of franchisee sales, which are subject to local economic conditions, among other things. Insofar as we expand into other countries and territories, we will become exposed to economic conditions in such regions.

Macroeconomic trends can have a significant impact on consumer discretionary spending and some of our products are perceived as more discretionary than others. For example, purchases of non-prescription sunglasses could decline during periods in which disposable income is lower or in periods of actual or perceived unfavorable economic conditions. Discretionary spending is affected by many factors, including general economic conditions, inflation, interest rates, consumer debt levels, unemployment rates, availability of consumer credit, currency exchange rates and other matters that influence consumer confidence. Many of these factors are outside of our control. For more information about macroeconomic trends, see "*Industry—The optical product market—General optical product market drivers*" and "*Industry—The optical product market—General hearing aid product market drivers*".

Expenses related to our other products, namely corrective lenses, frames and contact lenses are generally less discretionary and are consequently less dependent on macroeconomic indicators. However, during a period categorized by difficult economic conditions, we believe that customers may delay the purchase or replacement of optical products and hearing aids or opt to purchase less expensive models (for example, plastic frames which generally carry lower selling prices than acetate frames or lenses without scratch-resistant or anti-reflective coatings). These effects may be more significant in countries where the level of reimbursement by public and/or private insurance systems is comparatively low, which is the case for most of the markets in which we carry out our activities, save for our largest market, France. For example, the optical retail market in Spain, which is our second home market in terms of network sales and where optical products are not reimbursed by the public health system and/or private insurance systems, was significantly affected by macroeconomic difficulties from 2008 to 2013, thus negatively impacting the pace of our development in this country during that time period.

A portion of our franchisor revenue is directly related to our network sales as royalties or communication fees that we receive are calculated as a percentage of our network sales. In addition, other revenue streams are indirectly linked to our network sales, including listing fees paid by suppliers and calculated on the basis of store purchases, and margins retained in connection with our purchasing and trading activities. Any deterioration in macroeconomic conditions in France, Spain or the other markets in which we carry out our activities or into which we decide to expand may result in short- and long-term

decreases in consumer disposable income and demand, may lead to lower overall Group network sales or to changes in the mix of products that we sell in ways that may impact our overall profitability and which could have a material adverse effect on our business, results of operations, financial condition and prospects.

*Our performance is subject to our ability to adapt to evolving customer tastes and preferences.*

Consumer purchasing decisions regarding optical and hearing aid products are generally influenced by highly subjective factors, including fit, style, brand and durability. The tastes and preferences of customers in terms of optical and hearing aid products are subject to change based on demographics and fashion, lifestyle and other trends. Fashion and aesthetic considerations, technical and technological advances, as well as increased health and well-being awareness, have had and are likely to continue to have a significant effect on consumer purchasing decisions and on the type of products offered and sold by us and our franchisees. While our individual stores may offer a customized selection (ordered via our listing and payment unit) of frames and hearing aids that they believe correspond best to customer demand, the optical products and hearing aids that we offer and/or make available to stores in our networks may not reflect the needs, tastes and preferences of customers. As a result, the offering of such products by us and our franchisees may fail to meet customers' expectations or respond to customer demand. This risk is particularly acute as we focus most of our marketing efforts on our own-branded products which, if they are unsuccessful in attracting customer interest, could lead to reduced sales volumes. In addition, the commercial offers and advertising campaigns that we launch may not appropriately target potential customers.

In order to cater to evolving customer tastes and preferences, we continuously monitor our stores and websites and make strategic decisions to adjust our product offering, open, close or refurbish stores, revise store concepts and layouts and expand or enhance our websites. However, we may not be able to anticipate and implement decisions regarding our stores or websites with sufficient speed or efficacy and our product offering and the location, concept and layout of our stores and websites may not correspond to customers' needs and tastes. For more information about consumers' preferences, see "*Industry—General Optical Product Market Drivers—Consumption trends and demographics*". Failures and delays in responding to customer tastes and demands or in optimizing our stores and websites could have a material adverse effect on our business, results of operations, financial condition and prospects.

### ***Risks related to the French healthcare system***

*We are exposed to risk relating to the reimbursement framework in France.*

The demand for our products in France, which is our principal market, representing 78.0% of our network sales for the six months ended January 31, 2021, is directly impacted by the level of reimbursement provided by the French public health system and/or under private insurance policies offered by complementary health insurance companies (OCAMs). Reimbursement received from the public health system accounts for a small fraction of the total reimbursement received by customers, particularly for optical products, with the remainder being reimbursed by OCAMs and borne by the customer. Nonetheless, the public health system plays a significant role in the optical product market as reimbursement by OCAMs is conditional upon reimbursement by the public health system. Any decrease in the level of reimbursement for optical and hearing aid expenses that customers obtain from either the public health system or OCAMs would negatively impact their spending power.

For example, one important characteristic of an OCAM contract is whether it is deemed "responsible" by the French public health authorities and thus qualifies for favorable tax treatment. OCAM contracts are deemed "responsible" if they comply with a number of criteria, including, as of April 1, 2015, the imposition of minimum and maximum thresholds on reimbursements of optical products. The maximum reimbursement threshold for qualification as "responsible" has been set at €800 for a pair of glasses. In general, the legislation provides that the maximum price for a pair of glasses with unifocal lenses is set at €420 (the exact maximum price depends on prescription strength) and for a pair of glasses with multifocal lenses at €800 (the exact maximum price depends on prescription strength) and, in each case, including a maximum of €100 per frame irrespective of the type of lenses used.

Other regulatory changes may impact us. For example, under Decree no 2014-1374, the maximum replacement frequency for glasses was changed from one to two years (other than for children or in case of a change in prescription or breakage) in 2014. In addition, the Loi Macron n° 2015-990 (*loi pour la croissance, l'activité et l'égalité des chances économiques*) is aimed at introducing more transparency

in the market for optical products by differentiating prices charged for optical products from prices charged for associated services (such as adjusting frames to fit customers). These provisions of the Loi Macron, initially due to come into effect on January 1, 2018, were postponed and came into effect on January 1, 2020. They may foster increased competition as prices charged for each product or service become easier to understand and may ultimately result in price decreases. Such a breakdown of prices may also encourage OCAMs to further differentiate between products and services when setting reimbursement levels, which may negatively impact customers' spending power.

The 100% Santé measures, which are aimed at improving access to and reducing costs of healthcare products such as glasses and hearing aids for end consumers, impact us. The main aspects of the 100% Santé measures, which started from January 2020 in the optical sector, are:

- a "zero consumer cost" (RAC Zéro) offer, which consists of a basic "basket" for unifocal and multifocal glasses (set at approximately €100 and €195, for the most common unifocal and for multifocal glasses with thin, anti-reflective lenses, respectively). All opticians are required to make this offer available to customers, offering a minimum range of 17 frames for adults and 10 frames for children. Every quote to customers must include a zero consumer cost (RAC Zéro) offer. The basket for frames is set at a maximum of €30. As a comparison, according to a 2020 Gallileo survey, in France, a pair of unifocal glasses costs consumers on average €304 and a pair of multifocal glasses costs consumers on average €551;
- a reduction in the reimbursement cap used by private health insurers to €100 for frames, as compared to the previous cap of €150 and as contrasted with an average cost for frames of €113 (for unifocal lenses) and €158 (for multifocal lenses), according to a 2019 Gallileo survey; and
- the option for opticians to make certain view exams, reimbursed by French public health insurance, for approximately €10, in order to facilitate the repurchase of glasses with a prescription from an ophthalmologist provided, in most cases, less than five years ago.

In the hearing aid sector, similar discussions have also been conducted and the zero consumer cost (RAC Zéro) offer for hearing aids has been set more progressively (€1,300 in 2019 (the price ceiling for "Segment I" products, with a co-pay from the customer), €1,100 in 2020 (the price ceiling for "Segment I" products, with a co-pay from the customer) and €950 in 2021 (the price ceiling for "Segment I" products, with no co-pay from the customer)). GfK estimated an average price of €1,552 for a hearing aid device in 2019 which had decreased to an average price of €1,535 by July 2020. Before the full implementation of the RAC Zéro offer for hearing aids in 2021, the out-of-pocket cost of hearing aids was between €700 and €1,000, according to a 2019 Arcane report. As in the optical market, there is, on one hand, a higher proportion of value-added products (such as, in-ear devices and remote headphones), and, on the other hand, the increased offering of reasonably priced devices and, since January 2021, the ability for end customers to acquire a hearing aid device (valued up to €950) without any out-of-pocket expense. For more information about reimbursement schemes in France, see *"Regulation—France—Regulations governing the French complementary health insurance system"*. The impact of such regulatory changes could have a material adverse effect on our business, results of operations, financial condition and prospects. See *"—Risks related to our hearing aid business—The existence of adequate coverage and reimbursement is particularly important for sales of our hearing aids in France"* and *"—Risks related to legal and regulatory matters—Risks related to laws and regulations—We operate in a highly regulated business environment and predicting legal and regulatory changes or developments is difficult"*.

*We may be materially disadvantaged by the increasing influence of care networks in France.*

Care networks act as intermediaries between OCAMs and healthcare professionals, including opticians and audio prosthetists. Care networks may be "open", admitting all professionals who satisfy certain criteria defined by the care network, or "closed", which limit the number of healthcare professionals able to join the care network. For further information about care networks, see *"Industry—The optical product market—Our optical product geographic markets"*. OCAM members are often incentivized to go to opticians that have joined the care network affiliated with their insurance provider, because they are likely to be reimbursed at a higher rate than they would be at an optician that is not a member of a care network that is affiliated with their insurance provider. Additionally, OCAMs increasingly require that customers purchase optical and hearing aid products from a store that has joined a care network in order to benefit from third-party payment, i.e., the reimbursement of optical and hearing aid expenses

made by the relevant OCAM through direct payment to the optician or audio prosthetist. In 2020, according to Gallileo, approximately 70% of people were covered by an OCAM using a care network and 30% actually used an optician recommended by that OCAM's care network. A considerable number of OCAMs have joined a care network and we believe the proportion of people using an optician recommended by such care networks will continue to grow in the future.

Customers and OCAMs are making greater use of care networks, which exercise significant influence on how optical products and hearing aids are reimbursed in France. In particular, membership in care networks may affect our commercial strategy as prices and standards may be strongly influenced by such care networks. Certain care networks may impose limits on which suppliers we may use and which products we may offer, sometimes even requiring the purchase of such care network's own products. The increasing influence and negotiating power of care networks, as well as the increasing share of the population whose health insurance is covered by an OCAM that has joined a care network, may also lead to a general decline in prices of optical products and hearing aids in the long term in France due to care networks' willingness to be more attractive to OCAMs by selecting optical and hearing aid retail stores offering products at lower prices, thus potentially reducing the levels of reimbursement made by OCAMs and consequently healthcare professionals' margins and profits.

Our store network in France was previously underrepresented in care networks, as we discouraged our franchised stores from joining such care networks prior to 2014. Since then, our networks have been actively joining such care networks, with support provided by the Group to franchisees who wish to join such care networks. We believe we are now well-situated as regards membership of our franchised stores in the care networks. Further, the operations of stores in our network in France that have not already joined a care network may be adversely impacted as customers are incentivized to go to optical retail stores that are members of their care network where they will be able to benefit from a higher level of reimbursement. There also can be no guarantee that franchisees in our network who are not currently part of a care network will be admitted in the future or that our franchisees' membership in care networks will be maintained. As a consequence, our franchisees could lose market share among those care networks or could be affected by tighter conditions in the new partnerships, which could have an adverse effect on our franchisor business. For more information about care networks in France, see "*Regulation—France—Regulations governing the French complementary health insurance system*".

*The demand for our optical products and hearing aids may be adversely affected by the shortage of certain health professionals, such as ophthalmologists and audio prosthetists, in France.*

Unlike other countries, where optometrists may conduct routine eye examinations and prescribe corrective lenses and contact lenses, before the implementation of the 100% Santé changes, only ophthalmologists were permitted to prescribe corrective lenses in France. Although ophthalmological prescriptions are generally valid for a maximum of five years, there is a limited number of ophthalmologists in France and customers may have to wait a significant period of time before securing an appointment with an ophthalmologist and obtaining a prescription for optical products. In France, hearing aids are prescribed by ear, nose and throat specialists but patients must be subsequently outfitted with hearing aids by an audio prosthetist.

We believe that there is a shortage of both ophthalmologists and audio prosthetists in France, our principal market, and that this shortage may continue in the future. The overall number of physicians as well as the number of medical interns in each specialty is limited by a *numerus clausus* system which is determined by governmental decrees. Although the *numerus clausus* has increased in recent years, the number of graduating ophthalmologists and audio prosthetists in France remains limited. Thus, we believe that patients may still encounter difficulties in obtaining appointments with ophthalmologists and audio prosthetists within a short timeframe, in particular in rural areas. In certain areas, it is also difficult to recruit sufficient numbers of audio prosthetists to ensure the development of the Alain Afflelou Acousticien banner. As a result, we believe that the shortage of ophthalmologists affects both the demand for and number of purchases of optical products by customers in France and the shortage of audio prosthetists affects our ability to respond to the demand for hearing aids in France. Notwithstanding recent increases to the *numerus clausus* for each of these professions, and, more generally, measures to facilitate the repurchase of glasses with a prescription from an ophthalmologist provided, in most cases, less than five years ago, we believe that such shortages may continue to have a material adverse effect on our business, results of operations, financial condition and prospects. For further information about the regulatory environment in France, see "*Regulation*" and "*Recent Developments—Changes in the regulatory environment*".

## ***Risks related to our franchise activities***

*Our revenue may decrease significantly if our franchisees do not generate sufficient sales or if current or former franchisees use our know-how and commercial offers similar to ours to our detriment.*

Our revenue depends on our franchisees' ability to generate sales from the operation of their stores. As of January 31, 2021, 88.9% of stores in our networks were operated by franchisees and our franchisor activities generated 72.0% of our revenue for the six months ended January 31, 2021. We occasionally terminate franchise contracts, leading to the closure of certain franchised stores. For instance, in the fiscal year ended July 31, 2019, we terminated a master franchise agreement with a hearing aid company that had previously been in charge of developing our banner in Spain. At the time of termination, this partner accounted for 18 hearing centers and approximately €2.5 million of network sales per year. For further information, see *"Recent Developments—Termination of a master franchise agreement in the hearing aid sector in Spain"*. During the fiscal year ended July 31, 2019, the Alain Afflelou optical banner was also impacted by the termination of a franchise agreement with a partner holding six stores in the center of France. Further, in the fiscal year ended July 31, 2018, our sales in our discount banner in Spain were strongly impacted by the termination of franchise agreements and store closures.

Although most terminations of our franchise agreements have historically been made following a franchisee's failure to implement our commercial policies or for non-payment or due to poor performance or inadequate location of the store, the closure of franchised stores may adversely affect our reputation and reduce the amount of franchisor fees and commissions we receive from franchisees.

We may also face competition from our former franchisees. In the event of non-renewal or termination of a franchise agreement, a former franchisee may decide to conduct business as an independent optician or join a competing network following the expiry or breach of the one-year non-compete clause, included in the franchise agreement. In addition, a disgruntled franchisee may decide to share our know-how or other confidential information with persons outside the Group, including with the press. As all franchisees benefit from our know-how and expertise, including in particular our communications and marketing strategies, competition from former franchisees or the unauthorized sharing of such know-how may undermine our competitive advantage that this know-how provides and have a material adverse effect on our business, results of operations, financial condition and prospects.

*Our franchisees are independent operators and we have limited influence over their operations.*

Our revenue substantially depends upon our franchisees' sales volumes. However, our franchisees are independent operators and we cannot control many factors that impact the performance of franchised stores. Although we are responsible for, among other things, implementing marketing and communications strategies and preparing merchandizing and store layout and decoration concepts, franchisees may set their own business targets and devise their own means to achieve them. We are not in a position to impose budgetary constraints on our franchisees that would otherwise help to ensure that their performance is maximized and maintain consistency across stores in our networks. For instance, our franchise agreements require franchisees to regularly update their store layout to reflect our latest store concept, but franchisees are responsible for financing the refurbishment and may delay the process, which may harm our brand image and undermine our reputation and negatively impact our commercial practices across our network. In addition, our strategy in recent years has been to implement common tools for use by all franchisees in order to improve and harmonize commercial practices across our networks and enhance their relationships with customers. Franchisees may be reluctant to accept any such initiatives. For more information about our franchisees, see *"Business—Description of our business—Franchise model"*.

In addition, we have been and may from time to time be subject to allegations that we failed to adequately monitor our franchisees, particularly in the context of allegations that such franchisees have committed health insurance fraud. Customers show low sensitivity to price when they expect insurance providers to fully or even partially reimburse optical product and hearing aid costs. As a result, some of our franchisees may be tempted to artificially inflate the price of optical products and hearing aids sold to a customer, up to the reimbursement threshold set by the customer's OCAM. Any such claims may undermine our reputation, result in the imposition of fines, and could have a material adverse effect on our business, results of operations, financial condition and prospects.

We also face the risk that franchisees may intentionally work against our interests. For example, franchisees may fail to pay fees when due or at all, may publicly object to certain fees or may decide to

share our confidential information or know-how with persons outside the Group, including the press. Additionally, a disgruntled franchisee may decide to share his or her complaints with other franchisees in an attempt to incite collective action against us. While such behavior might violate the terms of the given franchise agreement, it could also have a material adverse effect on our business, results of operations, financial condition and prospects.

*Our franchisees may challenge the terms of our franchise agreements.*

There can be no assurance that our franchisees will continue to accept the terms of our franchise agreements, in particular the levels of fees and commissions that we charge them in exchange for the services we provide as franchisor. For more information about our franchise agreements, see "*Business—Description of our business—Franchise model—Our franchise agreements*". In the main European countries where we operate networks of stores, our franchisees are represented by a national franchisee commission (the "**CNF**") which we implemented to facilitate relationships between us and our franchisees. In France, for example, the CNF is composed of 15 members for a term of three years. Members are elected by the franchisees in the jurisdiction covered by such CNF. For example, our advertising plan is prepared by management and presented to the CNFs on an annual basis. Similarly, the level of communication fees to be paid by franchisees for the implementation of our advertising plan is submitted for CNF approval on an annual basis. The CNF is likely to have greater bargaining power than individual franchisees and may in the future successfully contest some of the terms of our franchise agreements and commercial arrangements with franchisees and in particular the level of communication fees. Moreover, although this has not occurred to date, our franchisees may initiate formal or informal collective actions against us. Any such action from franchisees could have a material adverse effect on our business, reputation, results of operations, financial condition and prospects. As of the date of this Offering Memorandum, there are no material conflicts or proceedings between us and our franchisees. For more information about the CNF, see "*Business—Description of our business—Franchise model—Franchisee representation*".

*Our relationships with franchisees are subject to regulations applicable to franchise agreements, particularly in France.*

We are subject to regulations governing the relationship between a franchisor and its franchisees in France and other countries where we carry out our activities. In particular, we are subject to regulations preventing undue interference of a franchisor in the franchisees' business operations, as well as regulations requiring that we provide certain information to existing and potential franchisees. In France, pursuant to the Loi Doubin and the resulting provisions of the French Commercial Code, we are required to provide potential franchisees, or current franchisees contemplating the opening of a new store, with certain information, including concerning the Group, the network and the contract at least twenty days prior to entering into a franchise agreement. For more information about regulations applicable to franchise contracts, see "*Regulation*".

Any claim that we have violated regulations applicable to our relationships with franchisees, including claims that we failed to provide sufficient information or support to a franchisee or claims that we impeded the ability of a franchisee to conduct its business freely, may among other things result in the imposition of fines on us, harm our relationships with our franchisees, require us to compensate the affected franchisees or potentially trigger claims for contract annulment on the grounds of lack of consent, negatively impact the likelihood of potential franchisees joining our networks, and have a material adverse effect on our reputation, business, results of operations, financial condition and prospects. Additionally, in France under French franchise law, franchisees are independent entrepreneurs who have freely entered into franchise contracts with a franchisor to trade under one of our banners and use our brand names and know-how in exchange for payment of certain fees and royalties. Although we are not responsible for the employees hired by our franchisees, any change in the relevant laws or re-characterization of the employment relationships between our franchisees and/or their employees by a court or tribunal could oblige us to either hire such employees directly or make arrangements causing us to incur liabilities related to contributions to certain social security programs, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

Additionally, regulations pertaining to the relationships we have with our franchisees are likely to change. New regulations may be introduced in the future or be amended. In particular, rules that may require us to put in place a franchisee or employee representative body may be modified or replaced. For more information about the regulations governing franchise agreements, see "*Regulation—*

*France—Regulations governing franchise operations in France" and "Regulation—Spain—Regulations governing franchise operations in Spain".*

*We rely on franchisee's accurate reporting of their sales as a key performance indicator and the basis of calculation of fees owed by franchisees.*

We rely on our franchisees to accurately report network sales in order to evaluate the performance of our networks and to calculate the fees we are entitled to collect under the terms of the franchise agreements. We use network sales to produce key performance indicators that are used for a variety of business planning and evaluation functions. Pursuant to our franchise agreements, franchisees are required to self-report certain performance indicators relating to their business, including sales levels, on a monthly basis. From time to time, franchisees may fail, intentionally or unintentionally, to accurately report their sales performance. Although franchisees are also required to provide us with a copy of their annual audited accounts, some franchisees may report sales levels that are lower than the actual sales levels. As a result, such franchisees may be charged lower royalties and communication fees than they would have been charged had they reported their actual sales levels. Following certain acquisitions, we may not be able to accurately monitor the sales of our new franchisees and correctly evaluate the relevant fees. The related reporting of these franchisees may be inaccurate and we may not be receiving accurate information at this stage. In addition, if a material number of franchisees do not correctly report their sales, or if such reports are delayed, our network sales numbers will not be accurate, reducing the relevance of network sales as a key performance indicator to assist in strategic planning and our ability to analyze, plan and forecast our performance may be affected. We may also have to incur significant expense to obtain compliance with such reporting requirements. Any difficulties in monitoring and overseeing our franchisees' operations could have a material adverse effect on our business, results of operations, financial condition and prospects.

### ***Risks related to our competitors***

*We operate in a highly competitive environment and we may not continue to compete effectively.*

We operate in the competitive but fragmented optical and hearing aid retail markets. Certain of our competitors may have greater financial resources, lower cost structures, larger purchasing economies of scale or better entrenched relationships with suppliers than us. Additionally, although the markets in which we operate remain fragmented, the optical retail industry in France and Europe has generally been dominated over the past decades by large retail optical chains operating in various countries in which our stores are located, such as Krys and Optic 2000 in France, or by the rise of other banners like Générale d'Optique or Optical Center. This pattern is also true for certain leading European optical retailers (such as GrandVision, Specsavers and Fielmann), who have also gained market share in recent years. In addition, the takeover of GrandVision by EssilorLuxottica, which was announced in July 2019, may have a significant impact on our market, with a potential vertical integration between leading global players.

In the hearing aid market in France, our main competitors, such as Audika, Amplifon and Audition Conseil, are already well-established operators. We also compete with several hearing aid suppliers which have become direct competitors by acquiring certain independent hearing aid retailers or chains that specialize in the distribution of hearing aids. For example, William Demant (which manufactures hearing aids under brands such as Oticon, Bernafon and Sonic) purchased a controlling stake in Audika in 2015 and Sonova (which manufactures under brands such as Phonak and Unitron) owns Audition Santé. This trend towards greater forward integration in the hearing aid market in certain countries may weaken our competitive position.

Consolidation trends in our optical and hearing aid products markets may result in the establishment of large purchasing or vertically-integrated groups combining supplier and retailer capacities, with greater leeway, leverage and resources than us may have an impact on our purchasing power and adversely impact the terms of our commercial agreements with our suppliers. Certain leading optical products manufacturers have gained significant market share over the past decade. For example, in October 2018 optical product manufacturer Luxottica completed its merger with lens manufacturer Essilor, creating an integrated group, EssilorLuxottica, which is currently contemplating a takeover of Grandvision. Forward integration by some of our suppliers may further increase the competitive pressure we face.

In the optical retail market, independent retailers still represent a large proportion of the total number of stores in countries in which we operate. In France, independent retailers are sometimes able to adopt



aggressive commercial strategies. In Spain, a pattern of independent retailers joining buying groups has emerged, with a focus on opening small stores requiring limited capital expenditure. Furthermore, independent retailers also control a large part of the French hearing aid products market. For more information about our competitive environment, see "*Industry*". Independent retailers may continue, in response to the growing presence of large competitors in the market, to adopt more aggressive strategies to maintain their market share, which could have a material adverse effect on our business, results of operations, financial condition and prospects. Our competitors may adopt more aggressive pricing policies. For instance, in the quarter ended April 30, 2018, our sales in Belgium were impacted by aggressive commercial policies adopted by our two main competitors. In addition, our competitors may further diversify their product offerings, enhance their presence in geographical markets in which we have a significant presence or be more effective and faster in capturing available market opportunities thereby undermining our competitive position and potentially weakening our market share.

*We may be adversely impacted by new market entrants.*

Certain optical products that we sell, such as ready-made reading glasses ("ready readers"), non-prescription sunglasses and contact lens care solutions are also sold through distribution channels other than optical retail stores. Those types of products may be distributed by pharmacists (primarily contact lens care solutions), fashion retailers, department stores or other points of sale, including websites. While we believe that the value-added services provided by opticians in our stores are not available to customers when buying through such alternative distribution channels, any increasing popularity of such distribution channels may adversely affect our business. The *Loi Hamon*, adopted in 2014, loosened restrictions on online sales of optical products prescribed by qualified opticians, and also facilitated online purchases of prescription optical products for customers, by requiring that ophthalmologists specify interpupillary distance on all prescriptions, i.e., the distance between the two pupils that customers are not able to measure on their own but would otherwise have to obtain from an optician. Since 2014, several online optical retailers have emerged in France, and many of the large retail optical chains, including us, have opened their own retail websites. In March 2014, we launched an e-commerce website providing an additional distribution channel for our optical products. Since then, our online business has expanded with the acquisition of pure players (Happyview and Malentille.com), which we have integrated into our wider online offer. Our e-commerce activity remains limited in terms of total network sales and corresponds in large proportion to contact lenses sales. During the initial COVID-19 confinement in the spring of 2020, our online sales increased and, as our online presence expands, we are increasingly better at tracking consumer habits and needs. We may, however, be at a time-to-market disadvantage in relation to our competitors, including pure players, who may have established online presences and developed experience in this distribution channel earlier than we have. If we are unable to keep up with our competitors or to further develop our online platform, it may translate into lost sales, particularly with respect to contact lenses, a segment which is forecast to grow at approximately 3% per annum until 2025 in France, according to SWV, as customers are generally more inclined to purchase contact lenses than frames online.

Finally, in a number of geographical markets in which we carry out our activities, including in France and Spain, our domestic markets, only opticians and audio prosthetists are allowed to sell corrective lenses and hearing aids, respectively, effectively creating a near monopoly for the sale of these products. As a result, retailers in these countries must employ opticians and audio prosthetists in order to offer these products to customers.

At present, there is a sufficient number of opticians in France, which has effectively weakened the impact of this monopoly, while the current shortage of audio prosthetists in France has strengthened the practical impact of the audio prosthetists' monopoly. If opticians' and audio prosthetists' monopolies were challenged or weakened, the barriers to entering the market would be lower, and a larger number of new participants could enter the market and/or current market participants could reinforce their position in this market. For example, certain provisions of the *Loi Hamon* allow non-qualified opticians to manage optical retail stores as long as responsible personnel at the stores are qualified opticians. This provision is designed to increase competition within the industry, which could have a material adverse effect on our business, results of operations, financial condition and prospects. As regards hearing aids, the risk that new players may enter the market could also become greater if, as a consequence of regulatory changes, the qualifications required to sell hearing aids become less stringent in response to the shortage of audio prosthetists in a number of the markets in which we carry out our activities, particularly in France. Such changes may, in turn, adversely affect our ability to compete effectively and have a material adverse effect on our business, results of operations, financial

condition and prospects. Further, there is a risk that hearing aid manufacturers may expand their operations to the optical products market and compete with us.

### ***Risks related to technological changes***

*Technical, technological or medical advances may reduce the attractiveness of our products.*

The optical and hearing aid products industries have experienced considerable technological changes in recent years, which has reduced and may continue to reduce or render obsolete the use of certain optical products and hearing aids sold by us. For example, laser eye surgery aims at permanently correcting certain vision deficiencies, specifically refractive ametropia (including myopia), by means of surgical intervention. Laser eye surgery has been performed for over thirty years, though the number of such surgical procedures in France remains stable and relatively low (estimated by SWV to be approximately 155,000 eye surgeries in 2020). Nevertheless, eye surgery may develop significantly in the future, either through innovations that improve the surgical methods employed (such as the femto-lasik laser technique, which provides a superior quality of eye surgery, or the development of intra-corneal surgery that aims to correct presbyopia) or by rendering those specialized surgical procedures more affordable, more accessible or less invasive. Certain specialized treatments such as orthokeratology (also known as corneal reshaping), involve the use of night-only contact lenses to correct myopia and presbyopia, which are dispensed by optometrists. Other potential new technologies, such as gene therapy and cell regeneration, may also succeed at permanently improving or correcting vision and/or hearing in the future. Similarly, if medical research were to lead to a cure for the various forms of hearing loss, such as by surgical techniques, the use of pharmaceuticals or breakthrough biotechnological innovations or therapies, our profitability could suffer through a reduction in the sales and revenue of the Alain Afflelou Acousticien banner. Other potential innovations, such as the development of self-fitting hearing aids or personal sound amplifiers, could result in a decreased use of our products. Moreover, we may be unable to replicate certain innovations developed and marketed by our competitors or we may experience delays before we are able to distribute innovative products, thereby decreasing the attractiveness of our offering. Any or all of the above factors may lead to a corresponding decline in network sales and could have a material adverse effect on our business, results of operations, financial condition and prospects.

*Hearing aid development cycles range from two to three years and we may not be able to develop or exploit new technologies in time to remain competitive.*

Hearing aids have been the subject of technological advances, such as the switch from analogue hearing aids to digital hearing aids in the 1990s, that changed market patterns during this period and led to a global market realignment among customers and market players on the basis of this new structure. To remain competitive, we must be able to introduce new hearing aid models to our offer as quickly as possible. For example, hearing aid technology generally changes approximately every two to three years. In addition, the use of hearing aids entails a number of additional costs, for example the cost of adjusting a hearing aid to the wearer and the many appointments required before purchasing a hearing aid. The purchase process is long and uncertain and some consumers may not complete the process. Our inability to meet customer demands for new technologies, or the inability to offer technologies that perform at the same level as those of our competitors, could have a material adverse effect on our business, results of operations, financial condition and prospects.

*We face operational and other risks in relation to e-commerce and online sales.*

Although the portion of revenue that we derive from online sales is currently limited, e-commerce is expected to be an increasingly important part of our strategy in the years to come. Our e-commerce operations are subject to numerous risks, including:

- reliance on third parties for certain ordering and customer fulfillment software and payment services;
- vulnerability to phishing, hacking and system breaches, which could expose us to regulatory action or consumer complaints that could damage our reputation and our business, as well as more general risks associated with cybersecurity, some of which may be magnified by work from home and through other remote working arrangements;
- the risk that our websites may become unstable or unavailable due to failures or necessary upgrades of our computer systems or related IT support systems, or disruption of Internet service;
- difficulty integrating our e-commerce platform with our store networks;

- violations of national, EU or international laws, including those relating to online privacy;
- liability for online credit card fraud and problems adequately securing our payment systems, even if we use the 3D-Secure Protocol designed to ensure enhanced security and strong identification for our customers when they use their debit or credit cards for online purchases;
- the incurrence of additional costs due to the necessity of investing in search engine optimization, the maintenance of our online brand presence and online connectivity that is commensurate with our brand positioning and optimization of the interface, allowing customers to easily locate, access and use our websites; and
- the risk that pure players will manage to successfully develop brick-and-mortar operations in certain locations, such as pharmacies.

*Our failure to respond appropriately to risks relating to e-commerce and online sales and uncertainties could reduce our revenue from e-commerce, as well as damage our reputation and brand image.*

Furthermore, we may not be able to continue growing and developing our e-commerce platform as planned, due to technical difficulties in adapting our business model to this distribution channel or other factors. The development of online sales is an ongoing, complex undertaking and there is no guarantee that any resources we apply to this effort will result in increased revenue or operating performance. In addition to the competitive pressures discussed in "*Risks related to our competitors*", the development of our online channel also faces specific competitive pressures. Consumers connect to our websites using a variety of devices (such as computers, tablets and smart phones) and operating systems (such as Windows, iOS and Android) which requires us to constantly strive to optimize our websites for such devices and systems. In addition, our e-commerce platform may also, to a certain extent, compete with our stores and cannibalize our in-store sales. The online channel presents a unique opportunity to directly engage with consumers from their homes but also poses organizational and technical challenges. A failure to successfully respond to the growing trend of e-commerce or, conversely, a failure to implement our plan to develop our online channel could have a material adverse effect on our business, results of operations, financial condition and prospects.

#### ***Risks related to our brand, reputation and employees***

*Our success is dependent upon the skills and continued service of our existing senior management team and of technically skilled employees.*

The execution of our strategy and our continued success depend in part on the skills, continued efforts and motivation of our senior management team and other key personnel, as well as on their relationships with, and their understanding of the requirements of, our franchisees and suppliers. In addition, our growth strategy and forecasts depend on senior management's deep knowledge of our business operations. If one or more members of the existing senior management is unable or unwilling to continue in their present positions, we may not be able to find management personnel with the same experience and industry knowledge to replace or recruit such individuals. Our prior CEO resigned in 2020, and we currently have an acting CEO until a new permanent CEO is found. We are currently in the process of searching for and evaluating potential candidates to fill the role of permanent CEO and hope to conclude this process in the coming weeks or months, although we cannot currently predict how long this process will take. The departure of any member of our senior management team could impact us more seriously than the loss of other personnel. Furthermore, if any member of the senior management team or other key personnel joins a competitor or forms a competing company, following the expiry or breach of the relevant non-compete clause, we may lose customers, know-how and other key personnel. The resignation or unexpected departure of one or more members of senior management or key personnel could have a material adverse effect on our business, results of operations, financial condition and prospects.

We also believe that our future success will depend on our continued ability to attract, motivate and retain qualified, skilled and experienced personnel who can contribute to maintaining and enhancing our reputation by providing services in accordance with our high standards. In France, our stores must employ opticians and audio prosthetists who satisfy the educational and training requirements that allow them to provide optical and hearing aid product services. Although we believe there is currently a sufficient number of trained opticians in France, it may be difficult for some of our stores to hire and retain the employees needed for their business. Furthermore, we believe that there is currently a shortage of ophthalmologists and audio prosthetists in a number of the geographic markets in which we operate, notably in France, and that this shortage may continue in the future, as discussed in "*Risks related to the French healthcare system—The demand for our optical products and hearing aids*

*may be adversely affected by the shortage of certain health professionals, such as ophthalmologists and audio prosthetists, in France".* Thus, it may also be difficult for some of our stores to hire and retain the employees needed for their business. An inability to attract and retain qualified employees in a timely manner could have a material adverse effect on our business, results of operations, financial condition and prospects.

*Our success is linked to our founder.*

Mr. Alain Afflelou, our founder, has been associated with our image and brand for both optical products and hearing aids, particularly in France, from the inception of the brand. We believe that, under the aegis of Mr. Alain Afflelou, the Group has significantly changed the optical and hearing aid retail industry in France by making available to the general public reasonably priced optical products and hearing aids of superior quality. Mr. Alain Afflelou has historically played a key role in our marketing and communications strategies and is frequently featured in marketing and advertising materials. As an optician by training, Mr. Alain Afflelou played an important role in enabling the brand to be perceived as offering optical products of the highest quality. We believe that the general public in France perceives a close connection between Mr. Alain Afflelou and the Alain Afflelou banner. Additionally, some of our franchisees, particularly in France, also continue to associate the brand with Mr. Alain Afflelou as well as, to a certain extent, his three sons who are also employed by us. In consideration of the key role Mr. Alain Afflelou plays in the Group and the fact that he is a well-known public figure, if he were to leave the Group for any reason, or if his personal reputation were to be harmed, this could have a material adverse effect on our reputation, brand awareness, business, results of operations, financial condition and prospects.

*Our success depends substantially on our brand awareness, reputation and know-how.*

Our reputation, brand awareness and know-how are essential in ensuring the continued success and performance of our business model. The reputation of our brands is based primarily on commercial offers and product innovation, as well as our ability to convey a strong image to the general public through effective marketing and communications strategies. If we were to decrease spending levels on marketing and communications, for example due to an increase in advertising costs or other constraints that would make it difficult to maintain current levels of media coverage, or due to the rejection by the CNF (the elected representatives of franchisees) of our proposed communication fees, we may be unable to maintain our brand awareness, boost in-store traffic or stimulate sales and our revenue could be negatively impacted. In addition, there can be no assurance that our advertising and communications campaigns will be successful, resonate with consumers or generate more traffic to our stores and websites. We also undertake direct communications and marketing activities, such as point-of-sale display materials, catalogues as well as email and mobile phone text messaging. We can provide no assurance that our communications, advertising and marketing activities will be successful in promoting and maintaining brand awareness.

As discussed in "*Risks related to our franchise activities—Our franchisees are independent operators and we have limited influence over their operations*", our reputation may also be harmed by franchisees that operate their stores in a manner which is not consistent with our professional standards or with regulatory requirements. While we may terminate commercial relationships with franchisees that do not comply with such standards or requirements, any delay in identifying and addressing an incident may harm our image and reputation. For instance, we have in the past detected evidence of health insurance fraud on the part of certain franchisees. Even if we are not ultimately liable for our franchisees' behavior, any incident, claim or proceeding resulting from such behavior may harm our brand, undermine our reputation, give rise to negative publicity or hinder our ability to attract and retain franchisees. A deterioration in the quality of services offered by our franchisees, delays in the development and implementation of our marketing and communications strategies, a decline in the quality of optical products and hearing aids offered to customers by the stores within our networks, or faults or defects discovered in certain products marketed by us may result in negative publicity. The damage to our reputation may be exacerbated by any failure on our part to respond effectively to such an incident. Such events that harm our brand, reputation or image could have a material adverse effect on our business, results of operations, financial condition and prospects.

*Our success depends on our ability to protect our brands and other intellectual property rights.*

We believe that our Alain Afflelou, Afflelou-Paris, Optical Discount, Alain Afflelou Acousticien, Malentille.com and Afflelou Sun banners and other intellectual property rights that cover the products and services we offer, including trademarks and domain names, are key assets that are fundamental to our success and position. We are therefore dependent on our ability to protect and promote our

brands and other intellectual property rights, especially as we open stores in emerging markets (for more information about our intellectual property rights and how we protect these rights, see "*Business—Research and development, patents and licenses*"). We cannot guarantee that our products and services do not infringe upon third-party intellectual property rights or that our intellectual property rights will not be challenged by third parties, including competitors. We may for instance be subject to intellectual property rights claims with respect to products that resemble some of our competitors' designs and models. If a court were to determine that one or more of our products infringes upon intellectual property rights held by others, we could be required to stop using such intellectual property or pay damages or royalties to holders of such intellectual property rights. We also cannot guarantee that third parties will not infringe upon our intellectual property rights, for instance by using our brands or copying our products. In addition, we may be unable to adequately register and protect our intellectual property rights as we enter new markets, a risk that is particularly acute in emerging markets such as China. Should our intellectual property rights be challenged or infringed upon, or should we infringe upon intellectual property rights of others, it could have a material adverse effect on our business, results of operations, financial condition and prospects.

### ***Risks related to our general operations***

*We may be unable to successfully manage and develop our existing banners, brands and store networks.*

We currently plan to further develop our main banners. Our operations are organized under the following banners and brands: (i) a generalist banner, Alain Afflelou, with sister brands Afflelou Sun (sunglasses only) and Afflelou-Paris (in emerging markets); (ii) a discount banner, Optical Discount; and (iii) a hearing aid banner, Alain Afflelou Acousticien.

In France, we operate our discount banner, Optical Discount, as a secondary banner in order to target price conscious customers and offer a broad range of optical products through comprehensive offers at a lower price point than the Alain Afflelou banner. As we continue to operate two different optical banners within the same market (the Alain Afflelou banner and the discount banner Optical Discount in France), we have experienced difficulties in differentiating those banners' images, commercial strategies and objectives in a way that allows them to coexist while targeting different segments within the optical retail market. Our franchisees generally benefit from an exclusive territory in the area where their store is located with respect to other stores under the same banner. However, there are still a number of places in France, such as certain shopping centers, where both an Alain Afflelou store and an Optical Discount store operate. Although these two banners target customers with different needs and preferences, we may experience cannibalization of sales in surrounding stores following the opening of a new store under either banner. An increased number of stores in a particular area or region may result in the saturation of the market and the diversion of customers and sales from some of our existing stores. Additionally, certain of our franchisees may become dissatisfied if other stores in the networks were perceived as cannibalizing sales, leading to potential conflicts between franchisees as well as potential conflicts between franchisees and us. Such conflict may result from the perception of competition among franchisees operating under different banners in the same general area. Likewise, if a franchise operating under one banner or brand provides inferior service to customers, it is possible that this could create conflict among our franchisees and could negatively impact our franchisees.

In addition, we may not succeed in strategically expanding each of our banners through the opening of new directly-owned or franchised stores. We may be unable to identify attractive new sites for stores, based on demographics, proximity to locations of our existing stores, availability of suitable retail space or local economic conditions. For example, we may not be able to diversify the types of stores in our store networks in a way that perfectly follows changing shopping trends. The majority of the stores in our historic networks are located in city centers, with fewer locations in shopping malls and suburban retail zones that are currently popular retail destinations. Although we may want to open locations in shopping malls or semi-urban retail parks, it may be difficult for us, as a franchisor whose development is dependent on our franchisee network, to respond quickly to changing shopping trends as compared to networks that primarily have directly-owned stores, which could have a material adverse effect on our business, results of operations, financial condition and prospects. We may also face difficulties in finding new or existing franchisees to open or operate stores in specific geographic areas or may face reluctance from existing franchisees which are not willing to assist us with the development of the Optical Discount store network. As some of our franchisees retire, we may face difficulties in finding, and transitioning stores to, new franchisees. If the management and development of our banners and networks were to slow down, this could have a material adverse effect on our business, results of

operations, financial condition and prospects. In addition, there can be no assurance that macroeconomic conditions will not impair our or our franchisees' ability to obtain financing sources in the future, including, but not limited to, our or our current or prospective franchisees' ability to incur additional indebtedness to expand or open new stores or refurbish existing stores.

If we are unable to offer products, prices or commercial offers across our banners that are more attractive than those of our competitors, we may lose market share or experience a decline in sales. For example, we have observed that a growing number of customers in the optical product market are price sensitive and, thus, the discount activity is an important growth driver. However, there are a number of risks associated with our efforts to compete in the discount activity. Our discount banner may not be able to successfully compete in this activity, which is already dominated by certain other large players in France, such as Optical Center and Générale d'Optique. In addition, we may experience difficulties introducing and expanding our Afflelou-Paris brand in emerging markets and our Alain Afflelou Acousticien banner may fail to offer competitive pricing in line with other hearing aid product retailers or to offer prices that are in line with our overall presentation of being "price-focused", due to the high cost of hearing aid products as compared to optical products. Our failure to address these challenges related to our multi-banner strategy may lead to general price decreases, reduced network sales growth, reduced franchisor gross profit and a decline in our market share across some or all of our banners, and could have a material adverse effect on our business, results of operations, financial condition and prospects.

*We may be unable to successfully manage our digital transformation*

We are in the process of an ongoing digital transformation of our brand, which includes the development and maintenance of a large and efficient customer database enabling stronger interaction with our customers through digital tools, such as text and e-mails, a broader suite of digital tools that leverage social networks in our communication, the use of high-tech devices, such as digital interactive screens or tablets in our stores, and finally, a plan to grow on-line sales through our banners Alain Afflelou and Optical Discount and Malentille.com.

This digital transformation represents a significant part of our planned capital expenditure and requires a strong reinforcement of our teams in this activity. We may from time to time select suppliers or hire personnel who are unable to conduct our plans, and thus delay our digital transformation. While digital and high-tech solutions do not currently account for a significant portion of our activity, we believe these development will play a greater role in the future, so that our retail network could be adversely affected in the future if we fail to successfully implement this digital transformation.

*We are exposed to counterparty risks in relation to our customers, franchisees, suppliers and health insurance companies.*

We are and may become further exposed to risks of non-payment or late payment from customers, franchisees, suppliers or OCAMs. In certain cases, when customers purchase optical products or hearing aids from a store, their OCAM may pay the optician or audio prosthetist directly. As a consequence, we may be exposed to a late payment risk from OCAMs for receivables in respect of a large number of sales, both indirectly through our franchisees and directly through our directly-owned stores. We also sometimes act as a qualified credit intermediary in certain of our markets (Belgium and France), extending credit to end-customers for their purchases, which requires us to follow certain regulations and comply with informational requirements and exposes us to further credit risk. Additionally, we may in the future offer end-customers insurance for our products via third-party insurer, which may expose us to counterparty risks from both insurers as well as our end customers.

We charge fees and commissions to franchisees in connection with the services we provide. Our central purchasing units aggregate franchisee purchase orders of lenses and we make the related payments to suppliers prior to collecting the contributions from franchisees. Although we have implemented monitoring of our franchisees' financial performance and position, we are still exposed to risks on accounts receivable in respect of payments owed by our franchisees. Furthermore, our ability to collect royalties and communication fees is dependent on the solvency of our franchisees. Any loss or expense incurred due to defaults by our customers, franchisees or suppliers could have a material adverse effect on our business, results of operations, financial condition and prospects.

Furthermore we provide guarantees to certain suppliers in relation to payments from franchisees, for which we charge a del credere commission to suppliers benefiting from such a guarantee. We are subject to default from franchisees on such payments, which are processed through our systems. We also provide guarantees from time to time to financial institutions extending credit facilities to our

franchisees. For further information on these guarantees, see "*Business—Description of our business—Services that we provide as franchisor—Procurement, purchasing and logistics solutions*" and "*Description of Certain Other Indebtedness and Other Arrangements—Guarantee facilities*". All of the preceding factors could have a material adverse effect on our business, results of operations, financial condition and prospects.

*The operation of our directly-owned stores requires us to incur fixed costs and to undertake investment and operational risks associated with operating points of sale.*

At January 31, 2021, we operated 77 directly-owned stores in France and 77 directly-owned stores in Spain, and six directly-owned stores in Other countries (in Portugal). Directly-owned stores tend to have a high level of fixed costs, including costs for personnel, leases, refurbishment and maintenance. We lease our directly-owned stores from third parties. In addition, a number of our directly-owned stores are flagship stores, which tend to be located in first-tier locations, such as the Champs-Élysées and Forum des Halles of Paris. Such locations tend to be more expensive to operate and to lease than ordinary retail locations. Furthermore, the success of any store depends in a substantial part on its location. There can be no assurance that current locations will continue to be attractive as consumer preferences and demographics change. The renewal of leases for certain stores may be difficult to obtain and may require us to increase the amount spent on store leases or to find alternate locations for our directly-owned stores. If we are unable to renew, replace or obtain new leaseholds for our directly-owned stores (as applicable), our retail network strategy and expansion could be adversely affected.

In order to optimize the management of our networks, occasionally we purchase and operate existing franchised stores on a temporary basis, for instance to secure our position at a promising site, to ensure that we do not lose a particularly attractive site in case of the retirement of a franchisee or transfer by a franchisee of its rights in a store or to turn around an underperforming store. In other cases, we seek to buttress our expansion in zones where we are not present, often to persuade new and existing franchisees of an area's strong potential. Such stores can be operated for a time as directly-owned stores before transitioning to franchisee ownership. However, we are exposed to the risk that it may not be possible to transition such stores to franchisee ownership in a timely fashion or at all. In such cases, we may be required to continue operating the store as a directly-owned store for longer than we had initially planned or may have to close the store, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

Operating retail stores exposes us to a number of other risks that are ancillary to such activity, including, but not limited to theft and misappropriation of inventory or funds and/or events that disrupt ordinary operation of directly-owned stores such as those caused by fire or flood. For more information about our directly-owned stores, see "*Business—Distribution channels—Development and management of our store networks—Directly-owned stores*". The occurrence of any of these risks related to the operation of a significant number of directly-owned stores could have a material adverse effect on our business, results of operations, financial condition and prospects.

*Our marketing and communications strategy may prove ineffective.*

Our network sales depend to some extent on the success of our communications strategy. We use various platforms and media, such as events, television spots, online advertising, magazines, visual merchandizing and social media, including Facebook, Twitter, LinkedIn, Instagram, Pinterest, YouTube and TikTok, to support the positioning of our brands and to engage with consumers. Maintaining consumer engagement and keeping abreast of fashion trends requires significant investment, including a dedicated team. Increases in competitors' communications expenditures could force us to similarly increase our communications budget in the future and may materially impact our brand awareness and footfall to our and our franchisees' stores, even if we match such competitors in terms of communications spending. However, there can be no assurance that an increase in communications spending will yield increases in brand awareness, footfall to our stores or traffic to our websites. For more information about our marketing and communications strategy, see "*Business—Products and commercial offers—Commercial offers and marketing strategy*".

From time to time, we have engaged with celebrity endorsers to draw attention to our products, a practice which we may continue in the future. Our marketing campaigns featuring celebrities may not be well-received by customers if the reputation of one of these celebrities has been undermined. Additionally, we may not be successful in adapting to evolving communications tools. For example, if we fail to successfully engage consumers on various social media platforms, such as Facebook, Twitter, LinkedIn, Instagram, Pinterest, YouTube and TikTok, or if any other element of our communications

strategy fails, we could face a decrease in customer demand and a decline in sales, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

*We may be unable to successfully introduce new product innovations and implement commercial offers.*

Our historical success is attributable, in part, to the marketing of innovative optical products and hearing aids that are perceived as reliable alternatives to products otherwise available in the market. Our future success will depend on our continued ability to develop partnerships with optical and hearing aid products suppliers and enter into distribution and licensing agreements with such suppliers to introduce innovative products. In addition, we may not be able to continue devising and implementing unique commercial offers to market our products. If we are unable to continue to introduce innovative products and implement successful commercial offers, our future sales may decline which could have a material adverse effect on our business, results of operations, financial condition and prospects.

*Acquisitions or investments may disrupt our ongoing business, distract management and employees, increase expenses and adversely affect our business. In addition, we may not be able to identify suitable acquisitions.*

Historically, we have made acquisitions to fuel our growth strategy, penetrate new markets and drive our expansion into the discount activity and the online sales space and we may continue to make such acquisitions in the future.

Acquisitions entail inherent risks, particularly when they involve contingent or other liabilities, including liabilities arising from events or conduct predating the acquisition, that were not known to us at the time of acquisition. We may also acquire a company that does not perform as well as we expected, which may not achieve profitability that is on par with the rest of our business or which may take significantly longer than planned to achieve the results we initially expected. For example, we acquired Optimil in July 2016. However we faced disappointing performance of the Optimil discount banner in Spain and encountered difficulties in implementing the various components of the franchisor's offer in the Optimil store network. We therefore decided to sell the Optimil banner in the course of the fiscal year ended July 31, 2018 and completed the sale in the fiscal year ended July 31, 2019.

As part of the integration of acquired companies into our networks, we may also incur significantly greater expenditures than we had anticipated at the time of the acquisition, which may impair our ability to achieve anticipated cost savings and synergies across our networks. Acquisitions may also have unanticipated tax and accounting ramifications or tax disputes. For example, in December 2017, the French tax authorities notified the Group of a tax reassessment amounting to €1.5 million (including penalties and late payment interest) following an audit relating to VAT deducted by Optical Finance (the franchisor operating the Optical Discount banner), an entity we acquired in July 2015, for the period from January 2014 to November 2016. See "*Risks related to legal and regulatory matters—Risks related to disputes—We are subject to risks from legal and arbitration proceedings*". Further, managers of the acquired companies may depart, which could delay our integration efforts or the execution of such companies' commercial strategies.

Some of the risks associated with acquisitions relate to differences between the acquired business and our legacy business. For example, following the acquisition of franchisor banners, we often become party to legacy franchise agreements that differ from our standard forms, both in terms of franchisee obligations and levels of remuneration. Likewise, the periodic reports delivered by franchisees that we acquire may not be as in-depth as those provided by Alain Afflelou franchisees who are accustomed to providing monthly reports. In addition, the franchisees that we have integrated or that we may integrate in the future, may operate different sales systems or source their products in different ways than those used by us, which could reduce operational synergies until such time as such legacy franchise agreements can be renegotiated.

Additionally, we may not be able to identify suitable acquisition candidates, consummate acquisitions on acceptable terms, successfully integrate any acquired business into our networks, or retain an acquired company's significant customer relationships, goodwill and key personnel or otherwise realize the intended benefits of an acquisition, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

*The occurrence of catastrophic events, such as natural disasters, pandemics or terrorist attacks, and political instability could adversely affect our business.*

The occurrence of catastrophic events and political instability could adversely affect our network sales. Our supply and logistics chain is global, spanning several countries for the sourcing and distribution of



our products. Catastrophic events such as natural disasters, floods, fires, earthquakes, severe weather, pandemics or epidemics, terrorist attacks and armed conflicts in the countries in which we operate or from which we source our products, could have a negative effect on consumer spending in the countries where we operate or disrupt our supply and logistics chain. For example, the 2011 Thailand floods led to delays and interruptions in deliveries from our Thai supplier. For more information, see "*We are exposed to political, economic and other business risks in our sourcing markets*".

More precisely, an event, such as a terrorist attack, political demonstrations or pandemics that either reduce footfall to our and our franchisees' stores or impair our ability to receive products from our suppliers, could substantially affect our business. These risks would be exacerbated if they were to occur during peak shopping periods, such as the holiday shopping period. We cannot predict the extent to which such events may affect our business, directly or indirectly, in the future. We also cannot assure investors that we will be able to obtain or choose to purchase any insurance coverage with respect to occurrences of terrorist acts and any losses that could result from these acts. A significant disruption at our or our franchisees' stores or an interruption in our supply and logistics chain due to such catastrophic events could have a material adverse effect on our business, results of operations, financial condition and prospects. For more information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent regulatory changes and development*".

*The future expansion of our retail operations into new markets presents a number of risks.*

Our management periodically evaluates expansion opportunities into new markets where we currently do not operate against a number of commercial and financial criteria. Expansion into new markets and development within our existing markets may take the form of organic growth, acquisitions of existing networks or joint ventures or other partnerships, including by way of directly-owned stores or new banners. Expansion into new markets is likely to carry greater risks than we face in our existing domestic markets and such risks may be inherently higher if the expansion into new markets is made through acquisitions. New markets may have different competitive and market conditions, regulatory frameworks, customer preferences and discretionary spending patterns than our existing markets. We may face political instability in new markets that we enter. For example, political troubles in Hong Kong significantly affected our franchisee locally, leading to the closure of our franchised store in Hong Kong. Furthermore, in the event of future confinements or other COVID-19-related measures that may be implemented by the governments of the countries in which we operate, we may choose to put our growth strategy on hold either in full or in part. We cannot predict whether, when, where and for how long such confinement or other measures may be put in place in the future. As a result, we may not be able to implement our growth plan in the short-, mid- or long-term, depending on the nature of such confinements and other measures. We may also face higher costs of entry, reduced brand recognition, logistical difficulties and minimal operating experience in such markets. Our product offering may not be successful in new markets and our costs may increase due to cost overruns, unexpected delays or other unforeseen factors. Improving brand recognition may be difficult in new markets where competitors are already deeply entrenched, which may require us to make substantial investments in areas such as merchandising, marketing, directly-owned store operations, website expansion and enhancement, community relations, store aesthetics and graphics and employee training, which could adversely affect our cash flow and which may ultimately not be successful. Any of these challenges could have a material adverse effect on our business, financial condition, results of operations and prospects.

*Certain of our franchisees operate in emerging markets, and we are indirectly exposed to risks inherent in transacting in such jurisdictions.*

We believe that emerging markets present unique opportunities to position the Alain Afflelou brand as a premium banner by building on our French heritage and distinctive own-branded products. However, our product offering may not be well-received by local customers and, although expansion through franchisees generally implies low capital requirements, we can provide no assurance that the benefits of this strategy will outweigh the costs that we incur to form franchise relationships and build our brand name in new markets. In addition, emerging market jurisdictions where we have expanded may have less-protective legal frameworks for our trademarks. As our brand becomes more recognizable, the risk of counterfeiting similarly increases, which could affect our brand integrity and our wholesale revenue. Moreover, although our international franchise agreements require that the relevant franchisee make payments in euro, royalties are set as a percentage of network sales, and therefore we are indirectly exposed to the foreign exchange effect of such franchisee converting a portion of our network sales into euro. Furthermore, we may be less able to exercise supervision and provide franchisor services to franchisees located in emerging markets with differing regulatory systems, including with respect to

customs and medical product purchases. As a result of the foregoing factors, our efforts in emerging markets may be operationally complex and could be more costly than anticipated which could have a material adverse effect on our business, results of operations, financial condition and prospects.

*We may be required to remove or recall defective or unsafe products and may not have adequate remedies against our suppliers for defective merchandise, which could harm our business and damage our reputation and brand.*

As the distributor of our products, we are liable for the safety of the products we sell, all of which are manufactured and/or supplied by third parties. Product quality or safety concerns may require us to remove certain products from our store networks and our websites. If the products that we purchase from suppliers are damaged or prove to be defective, unsafe or of low quality, we may seek recourse from our suppliers but we can offer no assurance that our suppliers will replace defective products in a timely manner, provide us with refunds or sufficient indemnifications or that such incidents will be covered by our product liability insurance.

Any failure by our suppliers to adhere to product safety or manufacturing safety standards could result in serious product defects that may not be detected by our quality control procedures and which may in turn lead to product recalls. Although there have historically been no significant recalls with respect to our products, there can be no assurance that a product recall will not occur in the future. Our reputation and brand could be damaged by the marketing of defective products, especially in the event of serious defects, such as the sale of products incorporating harmful substances causing physical harm or injury or other health problems. Such serious defects could also lead to a significant decline in network sales. In addition, we may be exposed to compliance lapses by our suppliers, which could lead to investigation by agencies responsible for international trade compliance. Resulting penalties or enforcement actions could delay future imports or otherwise negatively impact our business. Any such event, especially if it results in a prolonged impact on product quality, could have a material adverse effect on our business, results of operations, financial condition and prospects.

*We may incur significant repair or replacement costs in respect of product guarantees.*

The stores in our networks provide certain product guarantees to customers, both as a result of contractual and legal provisions and for marketing purposes, which permits customers to be reimbursed for products that do not perform as expected. The term of the guarantee provided depends on the product, but typically runs for three years from the date of the purchase for products that we market under our own Afflelou brand, two years for other optical products (except for "Égérie" progressive lenses which can be adapted for fit within the first three months) and for life for certain optical products such as "Protect" lenses. Existing and future product guarantees place our directly-owned stores and our franchisees at the risk of incurring future repair and/or replacement costs. If the amounts or frequency of product guarantee claims were to increase significantly, such as due to a decrease in product quality, it could have a material adverse effect on our reputation, business, results of operations, financial condition and prospects.

*We are exposed to liability and reputational harm from injury at our directly-owned stores as well as our franchisees' stores.*

Part of our strategy is to create retail spaces that encourage customers to spend time in the stores in our networks and get to know our products. We and our franchisees are therefore exposed to the risk of liability from lawsuits or reputational harm if customers are injured at a store in our networks, either through no fault on our part or that of our franchisees or due to unsafe conditions caused by, among other factors, crowded conditions or the failure to use adequate care in stocking the shelves or installing in-store displays. We may also fail to grant our employees and customers adequate protection from COVID-19 through protocols implemented at store-level, including limits on the number of people in a store at one time, strict protocol for handling and sanitizing merchandise, frequent sterilization of tools, increased attention to hygiene and encouraging use of appointments for store visits by customers. While such occurrences are rare, any liability, reputational damage or negative publicity resulting from such injuries, could have a material adverse effect on our business, results of operations, financial condition and prospects.

*We may incur liabilities that are not covered by insurance.*

We carry insurance of various types, including general business liability insurance, franchisor civil liability insurance, fraud and cyber insurance, transport insurance and directors' and officers' civil liability insurance and insurance for our directly-owned stores. We may not be able to accurately foresee future

activities in which we may engage in order to ensure that they are fully covered by the terms of our insurance policies and, as a result, we may not be covered by our insurance in specific instances. While we seek to maintain appropriate levels of insurance, not all claims are necessarily covered by insurance and we may experience major incidents of a nature that are not covered by insurance. Furthermore, the occurrence of several events resulting in substantial claims for damages within a calendar year could have a material adverse effect on our insurance premiums. In addition, our insurance premiums may increase over time in response to any negative development in our claims history or due to material price increases in the insurance market in general. We may not be able to maintain our current insurance coverage or do so at a reasonable cost. All of the factors listed above could have a material adverse effect on our business, results of operations, financial condition and prospects.

*Our business may be disrupted if our information systems fail or if our databases are destroyed or damaged.*

We, our franchisees and our suppliers rely on several information technology tools, platforms, systems and databases across our and their operations, mainly to support and monitor our and their networks, establish reporting, invoicing, the management of central purchasing units and the central listing and payment unit and various other processes and transactions. For instance, we use common point-of-sale software to operate our directly-owned stores. This point-of-sale software is critical to the daily operation of our directly-owned stores and the number of point-of-sale terminals we have in operation at a given time is limited. If these point-of-sale terminals were to become inoperative for any reason, we would not be able to quickly replace them. Our ability to effectively manage our operations and coordinate our interactions with our customers, suppliers and franchisees depends on, among other things, the reliability of these systems' tools. Our e-commerce operations rely heavily on such information systems and are exposed to certain additional risks related to the computer systems and related support systems pursuant to which our websites are operated, such as liability for online content and breach of data privacy. More generally, we are exposed to risks related to computer viruses and malware, cyberattacks, electronic break-ins and similar problems. For example, in July 2017, Optical Discount experienced a brief attack on its computer systems. Any failure by us or our third-party providers to update and secure their systems or products, any disruption of their operations, any failure of our information systems to operate effectively, or any breach in data security causing unintentional disclosure of customer or other confidential information, could have a material adverse effect on our business, results of operations, financial condition and prospects.

### ***Risks related to our hearing aid business***

*The existence of adequate coverage and reimbursement is particularly important for sales of our hearing aids in France.*

Prices of hearing aids are generally high. For example, in France in 2019, the average cost of hearing aids was €1,555 per ear (and can exceed €1,800 per ear), according to GfK, and was estimated to be €1,545 by Xerfi in 2020. Thus, adequate coverage and reimbursement from third-parties such as the public health system and OCAMs, which reduces the out-of-pocket cost paid by the end customer, is important for obtaining product acceptance and widespread adoption in the marketplace. Less than half of the cost of hearing aids is currently reimbursable in France through the public health system and OCAMs, and the recently-introduced regime known as 100% Santé, introduced by the French Health Ministry, should improve the relative proportion of reimbursements up to full coverage for certain devices. Nevertheless, any cost-cutting initiatives implemented by public or private health insurance schemes in the countries in which we operate that reduce the level of reimbursement available to consumers could negatively affect demand for our hearing aids. We expect that government regulation and third-party coverage and reimbursement policies will continue to limit the amounts that governments and other third parties will pay for healthcare products and services, which could have a material adverse effect on our business, results of operations, financial condition and prospects. For more information, see "*Risks related to the French healthcare system—We are exposed to risk relating to the reimbursement framework in France*" and "*Recent Developments—Changes in the regulatory environment*".

Prices for hearing aids have historically been subject to price erosion. The price of hearing aids decreases once a product has been on the market for two to three years. As a result, evolving technologies and rapid innovation in the hearing aid market place significant pressure on prices, especially on products equipped with an older technology. While we believe that volume growth in France should partially offset declines in prices in the future, any reversal in that trend could increase

the extent to which pricing pressure impacts our revenue and the revenue of our franchisees and could have a material adverse effect on our business, results of operations, financial condition and prospects.

***Risks related to our supply activities***

*We and our franchisees rely significantly on certain suppliers and service providers.*

The manufacturing of our own-brand and exclusively licensed products could be delayed or temporarily or permanently interrupted. We do not own or operate any manufacturing facilities or equipment and therefore depends entirely upon third parties for the manufacturing of such products. The majority of the products that we sell are supplied from third parties located in Asia. Certain Asian countries in which our suppliers are located, namely China and Thailand, have both been affected, and may be affected in the future, by political and economic disturbances, natural disasters and labor shortages, which could impair the ability of our suppliers to fulfill our orders and those of our franchisees. If we experience a surge in demand or the need to replace an existing supplier, there can be no assurance that additional manufacturing capacity will be available on terms that are acceptable to us or at all. There is also a risk that production by one or more manufacturers could be suspended or delayed, temporarily or permanently, due to economic or technical problems such as the insolvency of the manufacturer, the failure of the manufacturing facilities or disruption of the production process, all of which are beyond our control.

We do not maintain warehousing facilities. We outsource all of our warehousing and delivery logistics to third parties and rely on third-party suppliers to supply us and our franchisees with products in a timely fashion in order to meet demand from both customers and franchisees. If these services are interrupted or delayed for any significant period of time or if any of these third-party providers fails to fulfill any of their responsibilities, our image and reputation may suffer. This could lead to the deterioration of our relationships with potential and existing franchisees and customers.

All of the foregoing risks could have a material adverse effect on our business, results of operations, financial condition and prospects.

*We rely significantly on an intermediary agent in China.*

We source most of our proprietary frames and sunglasses that are sold under our Afflelou brand, as well as frames and sunglasses that we sell under exclusive licenses through a Chinese intermediary agent, Okia. Okia sources its products from subcontractors and manufacturers with whom we have no contact. Okia or its subcontractors could experience financial and operational impediments, such as difficulties in their supply and logistics chain, including delivery delays and stock disruptions or social unrest that could interfere with access to products and are exposed to risks inherent to doing business in China. The reliance on Okia could also impair our ability to execute our business plan within the desired timeframe if Okia were to fail to meet our requirements. In addition, any problem pertaining to the quality of products sourced by Okia or linked to the manufacturing conditions of our products in China (notably relating to compliance with national, international and European regulations on working conditions) may trigger negative publicity, adversely affect our reputation and result in loss of market share, especially as some of our competitors use the fact that they manufacture their products in France as a sales argument.

Furthermore, Okia may increase the fees it charges us for its services or may abruptly cease working with us, including due to factors beyond our or Okia's control. In the event that we are not able to continue to rely on Okia, we may experience difficulties and delays in finding a new agent that meets our standards and allows us to source products in a timely and efficient manner. Even if we do identify a new agent, we may experience increased costs or significant delays in sourcing as we transition to such new agent. This could have a material adverse effect on our business, results of operations, financial condition and prospects. Given our long-standing relationship with Okia, our commercial agreements with Okia are not systematically documented and formalized. In the event of disagreements or litigation with Okia, the absence of legally binding documents may hinder our ability to enforce our rights under those agreements and may therefore have a material adverse effect on our business, results of operations, financial condition and prospects, particularly in light of Okia's importance in our supply and logistics chain. All the preceding factors could have a material adverse effect on our business, results of operations, financial condition and prospects.

*Our business may be adversely affected by the loss of, or actions taken by, our suppliers and changes to our contractual agreements and license agreements.*

Our suppliers currently provide us with various revenue streams such as listing and del credere commissions on franchisee purchases, as well as early payment allowances. Suppliers that are selected to manufacture products sold under one of our signature brands, or in the context of one of our commercial offers, are also invoiced licensing fees based on the purchases of such products by franchisees. In addition, we retain a share of the discounts and rebates negotiated with suppliers when reselling products to franchisees, mainly through the central purchasing unit. We may not be able to continue to retain or find new qualified suppliers who meet our standards and levels of demand and supply products in a timely and efficient manner.

Our suppliers may challenge the fees or discounts that are applied to them, decide to withdraw some of the services they offer or alter the commercial terms, conditions, discounts and rebates we have negotiated with them. We may also be adversely affected if our suppliers consolidate, thereby increasing their bargaining power, or if competitors sign exclusive supply agreements with or take over our current or future suppliers, diverting their manufacturing capacity away from servicing our needs. In addition, certain of our suppliers enjoy commanding market positions and we may be unable to secure products of sufficient quality or quantity if any such supplier ceases trading, demands higher prices or more stringent payment terms, is unable to meet our requirements or reduces its business with us for any other reason. Even if we do identify new suppliers, we may experience increased costs, delays and product shortages as we transition our product requirements to alternative suppliers. Such new arrangements may not be on terms that are as favorable to us as our current arrangements. Finally, any new supplier with which we do business may be subject to similar or even greater quality- and quantity-related risks as our existing suppliers.

Additionally, from time to time, we have exclusive licenses for certain brands, for which the Group has an exclusive license, pursuant to which we source and distribute frames that are marketed under those brands. We may also from time to time market exclusive collections from designer brands, which are branded frames specifically created by designers for exclusive distribution by our networks. For more information about our licensing agreements, see "*Business—Research and development, patents and licenses*". Changes to or termination of our exclusive licenses or if we encounter difficulties in obtaining new exclusive designer brand licenses, this may divert customers to competitors and could have a material adverse effect on our business, results of operations, financial condition and prospects.

*We are exposed to political, economic and other business risks in our sourcing markets.*

Most of our products are manufactured in markets outside the European Union, principally in China, Thailand and other countries in Southeast Asia. We face a variety of risks generally associated with doing business in foreign markets and importing products from these markets, including, among others, political and economic instability, increased security requirements applicable to foreign goods, imposition of duties or other charges and restrictions on imports, currency and exchange rate risks, exchange controls, delays in shipping and increased costs of transportation, risks related to labor practices and disputes, non-compliance with product safety or manufacturing safety standards, environmental matters, natural disasters such as floods and earthquakes or other specific problems in the countries in which our products are manufactured. For example, political troubles in Hong Kong significantly affected our franchisee locally, leading to the closure of our franchised store in Hong Kong. Any such risk which disrupts the production of our suppliers, increases costs and/or delivery times and could result in increased costs for us or impact our ability to adequately supply our points-of-sale. The occurrence of any of these events could have a material adverse effect on our business, results of operations, financial condition and prospects.

## **Risks related to legal and regulatory matters**

### ***Risks related to disputes***

*We are subject to risks from legal and arbitration proceedings.*

In the ordinary course of our business, we may become involved in various claims, lawsuits, investigations, arbitration and administrative proceedings, such as, for instance, antitrust or tax proceedings, some of which may involve substantial claims for damages.

We are subject to certain antitrust proceedings. For example, Alain Afflelou Franchiseur, is involved in a proceeding initiated by the French Competition Authority (*Autorité de la concurrence*) in relation to certain anticompetitive practices concerning the prices of certain frames. In July 2016, the French

Competition Authority set a sanction of up to €12.5 million. The proceedings are ongoing and we are contesting the allegations. However, we cannot exclude the possibility that the French Competition Authority may impose a fine, including in an amount in excess of the above mentioned maximum. As of the date of this Offering Memorandum, no provision has been set aside in the Issuer's consolidated accounts for this proceeding. We also cannot exclude the fact that a possible sanction from the French Competition Authority could cause us to incur liability for damages to third parties. As of the date of this Offering Memorandum, no provision has been set aside in the Issuer's consolidated accounts for this proceeding. See *"Business—Legal And arbitration proceedings—Proceeding concerning alleged antitrust practices as the result of a vertical agreement concerning the price of frames"*.

We are also subject to tax proceedings in France.

- In December 2017, the Group received a notice of a proposed reassessment from the French tax authorities following an audit relating to VAT deduction made by Optical Finance (the franchisor operating the Optical Discount banner), an entity we acquired in July 2015, for the period from January 1, 2014 to November 30, 2016. The French tax authorities concluded that Optical Finance participated in a VAT tax evasion scheme during such period. The French tax authorities' reassessment included adjustments amounting to €1.5 million (€966,000 in tax reassessment, €386,000 in penalties and €134,000 in late payment interest). Following receipt of the tax authorities' confirmed reassessment for the full amount on August 16, 2018, the Group provisionally decided to pay the sum corresponding to the principal of the reassessment (€966,000). However, we believe that the French tax authorities' position is unfounded and decided to challenge the decision. On March 5, 2019, the French tax authorities rejected the challenge. Therefore, we decided to contest this decision before the French administrative tribunal of Paris and thus filed a claim on March 29, 2019. The Group also exercised its call option pursuant to the vendor warranties issued by the vendor's shareholders relating to its acquisition of Optical Finance (such vendor warranties being however capped at €1 million).
- Alain Afflelou Franchiseur was subject to a tax audit for the period from August 1, 2009 to July 31, 2012. As a result of this audit, the French tax authorities issued a tax reassessment notice mainly reassessing the price at which Alain Afflelou Franchiseur sold certain holdings in 2010, claiming that such sale price should have been higher in order to be considered as having been made at arm's length. As we believe there are robust arguments to challenge the position of the French tax authorities, we filed a claim with the French lower administrative court on December 28, 2018, which was rejected by the French tax authorities and thus led us to file a request with the French administrative court of Montreuil on March 11, 2021.
- In December 2018, we received a notice of a proposed reassessment of our income tax for the fiscal years ended July 31, 2013, 2014 and 2015 from the French tax authorities. This proposed reassessment relates to the deduction of interest charges relating to the 14% interest rate on convertible bonds issued by 3ABOD (which now sit at the level of the Issuer) (i.e. the Shareholder Bonds) in July 2012 for an amount of €203.3 million, in relation to the acquisition of the Group by the Sponsors. The French tax authorities consider, on the grounds of the abuse of law theory, that the interest on the Shareholder Bonds should not have been deducted from the corporate tax, to the extent the Shareholder Bonds qualify as an equity financing by the main shareholders, and correspond to dividend distributions. Based on legal advice, we have contested this proposed reassessment in a response sent to the French tax authorities in February 2019. On March 30, 2021, the French tax authorities confirmed however that the reassessment was maintained and that the case could be referred to the tax abuse committee (*Comité de l'abus de droit fiscal*). We intend to submit our case to the opinion of the tax law abuse committee. In addition, in March 2021, the French tax authorities launched a second tax audit with respect to the fiscal years ended July 31, 2016, 2017, 2018, 2019 and 2020.

Deferred tax assets in respect of tax losses carried forward amounted to €65.4 million as of January 31, 2021. According to our preliminary estimates, if the French tax authorities were to prevail concerning the second and third disputes discussed above, it could result in both (i) a reduction of the amount of tax losses carried forward for an amount (estimated as of the date of this Offering Memorandum) of deferred tax assets of approximately €58 million and (ii) the payment of (x) income taxes for the years subject to tax reassessment or tax audit as well as the first six months of the 2021 fiscal year (i.e., from August 1, 2020 to January 31, 2021) and (y) related penalties for a maximum total estimated amount as of the date hereof of approximately €21 million based on the current status of the procedure. We dispute the findings of the French tax administration and intend to challenge the administration's position in the next coming weeks. However, we cannot predict the timing or the final outcome of this challenge.

or more generally the above proceedings and we cannot guarantee that the ultimate tax impacts for the Group will not differ from the amounts referred to above. Furthermore, the Group may face an additional tax burden in respect of future fiscal years depending on the outcome of the dispute with the tax administration and the position retained by the Group on the tax treatment of the interest on the Shareholder Bonds.

Additionally, from time to time we are subject to litigation from current and former franchisees, and have in the past been required to pay damages in suits for wrongful termination of franchisee licenses, for example.

Additionally, these risks are heightened by the COVID-19 situation. We have taken extensive measures to protect our customers and our workforce, in order to minimize their exposure to COVID-19. However, we cannot be certain that such measures will be sufficient to mitigate the risks posed by COVID-19 and we may be subject to potential litigation as a result of customers or our personnel who contract, or believe they have contracted, the virus at our stores. We may also be subject to potential litigation initiated by employees alleging that we have facilitated an unsafe working environment or have increased their exposure to COVID-19. We may also be at risk of litigation following a possible outbreak at one of our stores, which may cause us to incur further significant costs and which may have a negative impact on our reputation. Any such fines or claims may have a material adverse effect on our business, financial condition, results of operations and prospects. For further information, see "—Risks related to macroeconomic conditions—The negative impact of COVID-19 on our business is significant and its effects will continue to materially negatively impact our business, financial condition and results of operations due to many factors, some of which are beyond our control".

Adverse judgments or determinations in one or more of these proceedings may require us to change the way we do business or use substantial resources in adhering to settlements or pay damages, fines or other penalties. The costs related to such proceedings may be significant and even if there is a positive outcome, we may still have to bear part or all of our advisory and other costs to the extent they are not reimbursable by other litigants, insurance or otherwise. In addition, provisions we make when threatened with actual or potential litigation may prove insufficient. For further information, see "Business—Legal and arbitration proceedings". These proceedings, inquiries or disputes could undermine our brand and reputation and could have a material adverse effect on our business, results of operations, financial condition and prospects.

### ***Risks related to laws and regulations***

*We operate in a highly regulated business environment and predicting legal and regulatory changes or developments is difficult.*

Our ability to predict and adapt to changing legal and regulatory trends is important to our success. Any uncertainty as to regulatory trends or changes in policies in relation to our industry may delay or hinder our ability to achieve our strategic plans or increase the cost of implementing such plans. The sale of our products and the provision of our services are subject to a high level of regulation and oversight, including regulation applicable to the healthcare sector. The main regulatory requirements relevant to our business include the public health system and complementary health insurance reimbursement systems, recruitment and appointment of personnel, distribution channels and agreements, and limitations on advertising (for more information about regulations that apply to our business, see "Regulation"). We are also subject to commercial, antitrust, labor, tax, consumer and consumer finance regulations and other provisions. Regulatory requirements differ across the jurisdictions in which we operate and are subject to change. New regulations may be introduced in the future, and existing regulations and regulatory bodies may be amended, significantly expanded or replaced. We may be required to adapt our operations in order to comply with such changes.

We may not be able to predict the content of new legislation and regulations and their effects on our business and we may not be able to adapt to regulations sufficiently quickly, or at a reasonable cost. Our operations may be adversely affected by regulatory developments and the cost of compliance with new regulations may be material. Failure to comply with applicable regulations could have a material adverse effect on our reputation, business, results of operations, financial condition and prospects.

In addition, a number of public statements made by the current French administration may result in the eventual adoption of new regulations that could be implemented to the detriment of our business, particularly in regards to third-party payment systems and potential limits on out-of-pocket expenses paid for optical products and hearing aids.

See also "*Risks related to the French healthcare system—We are exposed to risk relating to the reimbursement framework in France*".

*We are exposed to the risk of strikes, work stoppages and other industrial action.*

We and our franchisees may experience lengthy consultations with labor unions and works councils, strikes, work stoppages or other industrial actions, as well as the negotiation of new collective bargaining agreements or salary increases in the future, which could disrupt our operations or increase costs. In addition, strikes by employees of any of our key suppliers or services contractors could result in business interruptions. The occurrence of any of the above risks could disrupt our business, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

*We may fail to obtain, renew or maintain, or may experience material delays in obtaining, requisite governmental or other relevant approvals, licenses, certificates or permits for the conduct of our business.*

Our activities require various approvals, licenses and certificates to sell frames and lenses, contact lenses, prescription sunglasses and hearing aids. We may encounter significant obstacles or delays in obtaining or renewing, or be unable to obtain or renew, new or existing approvals, licenses and certificates required for the conduct of our business, in particular in markets in which we have only recently established a presence, or that we will continue to satisfy the conditions under which such approvals, licenses and certificates are granted. Although we monitor the status of approvals, licenses and certificates in markets in which we carry out our activities and proactively file applications to retain or obtain such approvals, licenses and certificates, there may be delays on the part of the regulatory, administrative or other relevant bodies in reviewing our applications and granting such approvals, licenses and certificates. In certain countries, the procedures for acquiring or renewing approvals, licenses and certificates may become more complicated and/or costly. If we fail to obtain, renew or maintain the necessary approvals, licenses and certificates required for the conduct of our business, we may lose customers or be required to incur substantial costs, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

*Our relationships with our customers and suppliers are subject to stringent regulations.*

The relationships between stores in our networks and customers are governed by consumer protection laws and regulations in the countries where we operate. Such regulations are designed to ensure the protection of customers, and generally include requirements that market players act fairly and provide customers with complete information to enable them to make free and informed purchasing decisions. In addition, our relationships with our suppliers are subject to specific regulations governing, for instance, disclosure requirements, fair dealing, ordering, delivery, pricing, invoicing, payment and intellectual property.

Failure on our part or on the part of our franchisees to comply with applicable laws and regulations governing our and our franchisees' relationships with customers and suppliers may result in investigations, enforcement actions, fines, penalties and administrative or legal proceedings. In addition, a failure to comply with regulations governing our relationships with our suppliers may entitle the relevant supplier to terminate our business dealings with us. Any of these developments may undermine our reputation and could have a material adverse effect on our business, results of operations, financial condition and prospects.

*We are subject to stringent security and data privacy laws and may be exposed to confidentiality and security breaches.*

We and our franchisees are subject to complex and evolving European, French, Spanish and other laws and regulations regarding the collection, retention, sharing and protection of data obtained from and concerning end customers, as well as their employees and, for us, the franchisees themselves. In France, the *Commission Nationale de l'Informatique et des Libertés* is the competent data protection authority. Since entry into force of the GDPR, we have not had to make any filings with or request authorizations from such authority (except in respect of certain very limited exceptions). The GDPR requires that companies that handle personal data adhere to the GDPR's principles relating to processing of personal data and comply with certain recordkeeping and processing requirements and be able to demonstrate compliance with the aforementioned requirements to data protection authorities upon request. In addition to the GDPR, French data protection law no. 78-17 dated 6 January 1978, as modified, applies in France. Many of these laws and regulations are subject to change and any new



requirements may result in modifications of our business practices and increased cost of operations to meet such requirements.

In addition, opticians and audio prosthetists in our networks receive and store confidential, personal and sensitive data, such as medical, social security and other health insurance information with respect to customers, and are therefore subject to privacy and security regulations with respect to the use and disclosure of health and personal information. As such, we receive and store this data from our directly-owned and franchisee stores. The amount of such data has increased following the implementation of our CRM program.

*Our sales operations are also subject to changing regulations and laws governing online, e-commerce and in-person transactions, including user privacy and e-privacy, data protection and electronic communications laws and regulations, including the GDPR.*

In December 2015, the EU approved the GDPR with respect to data protection. The GDPR enhanced existing legal requirements through several new rules and includes stiff penalties (up to the greater of €20 million and 4% of the global turnover) for organizations that fail to comply. The GDPR became directly applicable in all EU member states on May 25, 2018, and to all other European Economic Area states thereafter. In addition, following the adoption of the GDPR, on January 11, 2017, the EU Commission published a proposal for an e-privacy regulation, replacing the existing e-privacy directive that regulated privacy related issues in the electronic communications sector. Discussions for the adoption of the e-privacy regulations are ongoing, on the basis of the latest proposal agreed upon on February 10, 2021 by the Council of the European Union.

Further, customers expect us and our franchisees to adequately protect their personal information. If we, our franchisees, opticians or audio prosthetists in our networks do not adequately safeguard confidential customer data or other protected health information, or if such information or data are wrongfully used by us or our franchisees, if such data is disclosed to an unauthorized person or entity or if we or our franchisees fail to comply with privacy laws and regulations or data protection policies with respect to our customers, employees or franchisees, our reputation may suffer, and we may be subject to fines, penalties and legal proceedings (including criminal sanctions under the French Criminal Code) and there could be a material adverse effect on our business, results of operations, financial condition and prospects. As of January 31, 2021, we are not aware of any material non-compliance or investigations in relation to our data retention activities. However, even though we have made make extensive efforts to comply with data protection laws and requirements, we cannot ensure that we will not be subject to regulatory and/or private action nor that security breaches involving for instance customer transaction data will not occur. Any breach could cause consumers to lose confidence in the security of our websites and deter future purchases.

*Changes in laws and regulations affecting the advertising methods we employ or the commercial offers we implement may adversely affect our ability to promote our brand and market our products.*

We rely heavily on our communications, marketing and advertising strategies through the Internet and national media, including television, to promote our brand and commercial offers in our main markets. Changes in regulations restricting television advertisement by healthcare professionals, including opticians, may substantially impact our ability to promote our brand, commercial offers and product offerings. Depending on the classification of the applicable product, legislation in France and Spain currently imposes limits on content and/or requires pre-publication review of the content by the competent authorities. Currently, only contact lenses and contact lens solutions are subject to such regulation. However, such regulations may change in the future. Moreover, changes in regulations affecting our commercial strategy may impair our ability to conduct certain of our commercial offers. For instance, the regulation of consumer credit may tighten, which may hinder the continued success of our NextYear commercial offer, which allows customers to purchase our products on credit and free of interest and other charges. Likewise, regulatory changes that limit customer out-of-pocket spending on certain optical products and hearing aids may reduce the attractiveness of certain of our commercial offers, such as NextYear, which we use to draw new and returning customers to our stores. For more information about our commercial offers, see "*Business—Consumer financing solutions*". This could have a material adverse effect on our business, results of operations, financial condition and prospects.

*Changes in customs regulations, including customs duties, may adversely affect our operations.*

Our business relies on our effective supply strategy. Our main supplier, which supplies the majority of frames and sunglasses that we market under our own brands, is Okia (see "*Business—Sourcing, branding and manufacturing*"). In addition, our suppliers of exclusive collections from designer brands,

own-brand lenses and contact lenses and non-exclusive products manufacture or source products from countries which are not members of the European Union. Due to our significant import activities, we are subject to changes in customs regulations, and particularly customs duties. Our and our franchisees' purchasing costs may be adversely affected if export and import regulations in the countries from which we or our suppliers source products, or import regulations in the European Union, become more stringent or costly. For instance, our and our franchisees' purchasing costs may be affected by an increase in the amount of customs duties that we or our suppliers are required to pay. We may be unable to pass on any additional costs associated with more stringent customs regulations to franchisees and our franchisees may be unable to pass on such costs to end customers. As a result, any changes in customs regulations could have a material adverse effect on our business, results of operations, financial condition and prospects.

*We are exposed to the risk of violations of anti-corruption laws, sanctions or other similar regulations applicable in the countries in which we operate or intend to operate.*

We must comply with certain anti-corruption laws, sanctions and other similar regulations. For example, the U.S. Foreign Corrupt Practices Act of 1977, the U.K. Bribery Act 2010, the French Criminal Code and law of December 9, 2016 relating to transparency, fighting corruption and modernizing economic life (more widely known as the "**Sapin II Law**") and other similar anti-corruption laws generally prohibit companies and their intermediaries from making improper payments to foreign officials and/or private counterparts for the purposes of obtaining or retaining business and require the implementation of an anti-bribery compliance program. We operate in certain parts of the world that lack a developed legal system or have experienced widespread corruption. Under some circumstances, strict compliance with anti-corruption laws may conflict with local customs and practices. Our internal policies mandate compliance with these laws, but despite our compliance policies and training efforts, we cannot assure you that our internal control policies and procedures will always protect us from acts committed by our employees.

Further, due to the global nature of our operations, we may use local agents or subcontractors to understand unfamiliar environments and differences in cultural, legal, financial and accounting complexities and obligations, or to carry out a portion of the activities called for by a particular contract. There is a risk that such agents or subcontractors may be involved in illegitimate activities in local markets that are unknown to us. If we fail to adequately supervise them or maintain an adequate compliance program, we may be liable for their actions. Similarly, our franchisees and our suppliers may be involved in activities that our onboarding and diligence procedures may be unable to detect and that may put us at risk for non-compliance with anti-corruption and similar laws.

Violations of such laws can result in civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts, termination of existing contracts, revocations or restrictions of licenses, criminal fines or imprisonment. In addition, such violations could also negatively impact our reputation and consequently negatively impact our business. On the other hand, any such violation by our competitors, if undetected, could give them an unfair advantage when bidding for contracts. The consequences that we may suffer due to the foregoing could have a material adverse effect on our business, financial condition and results of operations.

## **Risks related to our financial profile, capital structure and tax**

### ***Risks related to our financial profile and capital structure***

*Normalized EBITDA presented in this Offering Memorandum should be treated with caution when making an investment decision.*

In this Offering Memorandum, we present Normalized EBITDA, which is derived using various assumptions related to the impact of COVID-19 pandemic on our EBITDA. See "*Summary Historical Consolidated Financial Information and Other Data—Other Financial Information*" for additional details regarding these adjustments to our Normalized EBITDA and their underlying assumptions.

The assumptions we have made with respect to the Normalized EBITDA that we present in this Offering Memorandum are based on our current estimates and they involve risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any anticipated future results, performance or achievements implied by such adjusted financial information.

Specifically, to derive the Normalized EBITDA, we have replaced the two fiscal quarters spanning the first confinement period in France and Spain (March 17 to May 11, 2020) during which all of our stores

were closed and the Group generated only minimal EBITDA with the comparable quarters from fiscal year 2019, which was not impacted by COVID-19. For purposes of estimating the impact of IFRS 16 on our Adjusted EBITDA for the six months ended July 31, 2019, the Group has used the amount of rents associated with operating leases for the six months ended July 31, 2020 (€7.5 million) for the adjusted amount, as compared to €7.7 million for the six months ended July 31, 2019. However, such IFRS 16 adjustment does not reflect any increases or decreases in the amount of rents during the six months ended July 31, 2020 as compared to the six months ended July 31, 2019, as a result of the evolution of the number of directly owned stores, any annual rent increases or any reductions in rent due to COVID-19.

In addition, Normalized EBITDA does not (i) give effect to any other event, favorable or unfavorable, that happened or could have happened during the six months ended July 31, 2020, other than the events directly related to the COVID-19 pandemic, including the negative impact of the reduction under 100% Santé of the maximum frame reimbursement rate from €150 to €100 and the implementation of the zero-out-of-pocket offer (set at approximately €100 for a pair of unifocal prescription glasses) or (ii) adjust for the positive or negative effect of the ongoing COVID-19 pandemic during the six months ended January 31, 2021, in particular the significant positive impact of the increased demand for our products during periods immediately following the reopening of our stores after the end of confinement measures, as well as the negative impact of further restrictive measures which have been implemented by the governments in the countries in which we operate, notably in November 2020 and January 2021 in France, in response to the resurgence of the COVID-19 pandemic.

As a result, we cannot assure you that the difference between the Adjusted EBITDA for the six months ended July 31, 2020 and the Adjusted EBITDA for the six months ended July 31, 2019 may not be partly due to factors other than the COVID-19 pandemic, such as overall market trends and conditions or competitive pressures we are facing, and there is no guarantee that any such difference is recoverable or will be recovered by our business in future periods.

You should exercise caution when evaluating the adjustments reflected in the Normalized EBITDA and whether you consider these to be appropriate, as this information is inherently subject to risks and uncertainties. Normalized EBITDA has not been audited or independently reviewed by our auditors. It should not be considered as an alternative to net income or operating income as indicators of our performance, nor as an alternative to cash flows as a measure of our liquidity.

While we use Normalized EBITDA to assess our operating performance, and we believe that similar measures are commonly used by investors, we cannot guarantee that Normalized EBITDA, as presented in this Offering Memorandum, is comparable to similarly titled measures reported by other companies, due to, among other things, differences in the way such measures are calculated.

*A substantial amount of our total assets consists of intangible assets, including trademarks and goodwill, and we may be required to record significant impairment charges in respect of these assets.*

In accordance with IFRS, our management must test certain assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets subject to testing include goodwill and intangible assets such as the value of our trademarks and customer lists. In addition, our management must test for impairment of goodwill at least once a year, whether or not there are any indicators of impairment. IFRS require us to recognize a non-cash charge in an amount equal to any impairment. As of January 31, 2021, intangible assets susceptible to impairment charges under IAS 36 Impairment of Assets represented 73.3% (post-IFRS 16) including rights of use of our total assets. Any future impairment of goodwill or other intangible assets may result in material reductions of our revenue and equity under IFRS. This could have a material adverse effect on our results of operations, financial condition and prospects.

*The Issuer is a holding company and will be dependent on payments from its subsidiaries in order to be able to make payments on the Notes.*

The Issuer is a holding company that conducts no business operations of its own and has no significant assets other than the shares it holds in the Subsidiary Guarantors and its receivables under the Notes Proceeds Loans and any future intercompany loans. As a result, the Issuer is dependent upon the cash flow from its subsidiaries in the form of dividends, intercompany loans, or otherwise to make any payments due on the Notes. In addition, the Issuer's subsidiaries may be restricted from providing funds to the Issuer under some circumstances. These circumstances could include, among others, restrictions under French or other applicable corporate law, and future contractual restrictions, including restrictions in credit facilities and other indebtedness, that may affect the ability of the Issuer's subsidiaries to pay

dividends or make other payments to the Issuer. In addition, applicable tax laws may also subject such payments to taxation. We cannot assure you that the arrangements with our subsidiaries, the funding permitted by the agreements governing existing and future indebtedness of our subsidiaries and our results of operations and cash flow generally will provide us with sufficient dividends, distributions or loans to fund payments on the Notes. In the event that we do not receive distributions or other payments from our subsidiaries, we may be unable to make required principal and interest payments on the Notes, and we do not expect to have any other sources of funds that would allow us to make payments to holders of the Notes.

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

The Sponsors are the indirect majority shareholders of the Issuer. The interests of the Sponsors and/or any other principal shareholder in the future could conflict with each other and/or the interests of the holders of the Notes, particularly if we encounter financial difficulties or are unable to pay our liabilities when due. Any principal shareholder could also have an interest in pursuing acquisitions, divestitures, financings, dividend distributions or other transactions that, in its judgment could enhance its investment, although such transactions might involve risks to the holders of the Notes. In addition, our shareholders may also invest or acquire businesses that compete with us. Our shareholders have no contractual obligations to fund our business and may not have sufficient liquidity to fund our business if we require additional funding. Additionally, the Indentures will permit us to pay management fees, dividends or make other restricted payments under certain circumstances, and our main shareholders may have an interest in us doing so. In addition, for compliance with certain restrictive covenants under the Indentures, the New Revolving Credit Facility Agreement and other agreements governing our indebtedness, we will depend upon the cooperation of the Sponsors who have the power to control decisions with respect to the Group and influence compliance with such covenants. For example, our shareholders could vote to cause us or one of our subsidiary to incur additional indebtedness, to sell certain material assets or make dividends, in each case, so long as the covenants governing our indebtedness so permit.

#### **Risks related to tax**

*Changes in tax laws or challenges to our tax position could adversely affect our results of operations and financial condition.*

We are subject to complex tax laws in each of the jurisdictions in which we operate, as well as international tax laws. Changes in tax laws or regulations or to their interpretations could adversely affect our tax position, including our effective tax rate or tax payments.

Our tax returns are prepared in accordance with applicable tax legislation and prevailing case law. Certain tax positions we take are based on industry practice, tax advice we have received in some cases from third parties (including legal counsel), and similarities to facts and circumstances described in case law. These positions may relate to tax compliance (especially in the current international tax context tending towards enhanced mandatory disclosure obligations), classification of income, treaty relief and withholding tax, franchise, gross receipts, payroll, property and income tax issues, including tax base. It is possible that the tax authorities will not agree with the views we have taken. From time to time, we are subject to tax audits, and any challenges from relevant tax authorities with respect to our application and interpretation of tax rules may result in adjustments to the timing or amount of taxable income or deductions, and such adjustments may not be favorable to us. If any such challenges are made and are not resolved in our favor, they could result in significant additional tax liabilities and have an adverse effect on our financial condition and results of operations.

In particular, European and French tax laws and regulations are extremely complex and are subject to varying interpretations. In this respect, the incorporation into French tax law of the Organization for Economic Cooperation and Development's (the "**OECD**") principles related to base erosions and profit shifting ("**BEPS**") included in the final reports released by the OECD as well as the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS signed in Paris on June 7, 2017 could increase the administrative efforts within the Group and impact existing structures.

In parallel, the European Union intends to harmonize tax legislation of the Member States. In this respect, on July 12, 2016, the Council of the European Union adopted a new EU Directive (Council Directive 2016/1164) laying down rules against tax avoidance practices that directly affect the functioning of the internal market (the "**ATAD**"). The ATAD was later amended on May 29, 2017 by the Council Directive (EU) 2017/952 (the "**ATAD 2**"), which, *inter alia*, extends the scope of the ATAD to

hybrid mismatches involving third countries and provides that its provisions apply (subject to certain exceptions) from January 1, 2020. Among the set of measures, the ATAD provides for a general interest limitation rule pursuant to which the tax deduction of net financial expenses is limited to 30% of the taxpayer's earnings before interest, tax, depreciation and amortization (EBITDA) or to a maximum amount of €3 million, whichever is higher (subject to several exceptions) (Article 4 of the ATAD). Such rules apply from January 1, 2019 following their transposition into French tax law. The French Finance Law for 2020 (Law 2019-1479 of December 28, 2019) also introduced under French tax law the provisions of the ATAD 2 and thus repealed the existing French anti-hybrid rules, as set forth in Article 212-I-b of the *French Code général des impôts* (the "**French Tax Code**"). See *"Risk Factors—Risks Related to the Notes and Our Capital Structure—French tax legislation may restrict the deductibility, for French tax purposes, of all or a portion of the interest on our indebtedness incurred in France, thus reducing the cash flow available to service our indebtedness"*.

Furthermore, Article 108 of the French Finance Law for 2019 introduced under French tax law, the anti-abuse provision provided for by the ATAD with respect to French corporate income tax, which aims to address abusive tax practices that are not dealt with by specifically targeted provisions. Pursuant to this provision, the French tax authorities might ignore an arrangement or a series of arrangements which, having been put into place for the main purpose or one of the main purposes of obtaining a tax advantage that defeats the object or purpose of the applicable tax law, are not genuine taking into account all relevant facts and circumstances.

The European Commission has also published a corporate reform package proposal on October 25, 2016 including three new proposals that aim at (i) re-launching the Common Consolidated Corporate Tax Base ("**CCCTB**") which is a single set of rules to compute companies' taxable profits in the EU, (ii) avoiding loopholes associated with profit-shifting for tax between EU countries and non-EU countries, and (iii) providing new dispute resolution rules to relieve problems with double taxation for businesses. The directive proposal on the CCCTB requires unanimity in the Council of the European Union for its adoption following consultation of the European Parliament (special legislative procedure), which gave its favorable vote on March 15, 2018. It is expected to be implemented in two steps, with the common base being implemented as a first step and consolidation being put in place swiftly afterwards. In this respect, in the European Commission's 2020 work program, it was stated that the CCCTB should receive priority attention in 2020. However, as of today, it appears that no further progress has been made on this program. Furthermore, additional rules on tax dispute resolution apply since January 1, 2019 following the transposition of Council Directive 2017/1852 of October 10, 2017 into French tax law as part of the 2019 French Finance Law. These regulations could impact our tax position in the future.

Finally, since tax laws and regulations in the various jurisdictions in which the Group's companies are located, or operate, or may be located, or may operate, may not always provide clear-cut or definitive guidelines, the tax regime applied to the Group's operations, intra-group transactions or reorganizations (past or future) is or may sometimes be based on the Issuer's interpretations of French, Luxembourg or foreign tax laws and regulations. We cannot guarantee that such interpretations will not be questioned by the relevant tax authorities. More generally, any failure to comply with the tax laws or regulations of the countries in which the Group's companies are located or operate may result in reassessments, late payment interests, fines and penalties.

*Our future results, French and foreign tax regulations and tax audits or disputes could limit our ability to use our tax loss carryforwards and, as a result, could have an impact on our financial condition.*

We have carryforward tax losses (€273.3 million in total, of which €267.1 million relate to France as of July 31, 2020) including €245.5 million of carryforward tax losses generated within the current French tax consolidated group. Deferred tax assets in respect of tax losses carried forward amounted to €65.4 million as of January 31, 2021. The ability to effectively use such carryforward tax losses depends on a variety of factors, including: (i) the ability to generate taxable income and the adequacy between such income and tax losses; (ii) the general limitation applicable to French carryforward tax losses, under which the percentage of carryforward tax losses that may be used to offset the portion of taxable income exceeding €1 million is limited to 50%, as well as certain specific restrictions relating to the use of certain categories of carryforward tax losses; (iii) limitations to the use of tax losses that may be imposed by foreign laws and regulations (e.g., in case of a change in control); (iv) the outcome of present and future tax audits and litigations; (v) potential changes in applicable laws and regulations; and (vi) in part, the outcome of the ongoing proceedings with the French tax authorities. See *"Risks related to legal and regulatory matters—Risks related to disputes—We are subject to risks from legal and arbitration proceedings"*.

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

As a general rule, pursuant to Article 39, 1-1° of the French Tax Code, expenses incurred by a French company are deductible *provided*, among other conditions, that (i) they are incurred in its direct corporate interest and (ii) they correspond to actual and justified expenses. In this respect, French case law has developed the concept of "abnormal act of management", according to which the expenses incurred by a French company in connection with transactions that are not aligned with its direct corporate interest are not tax deductible.

Under Article 39-1-3 of the French Tax Code, interest paid by an entity to its direct shareholders who are not related parties within the meaning of Article 39.12 of the French Tax Code are tax deductible only up to the amount of interest computed on the basis of the rate referred to in Article 39-1-3 of the French Tax Code (i.e., the annual average of the average effective floating rates on bank loans to companies with an initial maturity exceeding two years). Under Article 212 I-(a) of the French Tax Code, interest incurred on loans granted by related parties within the meaning of Article 39.12 of the French Tax Code is deductible up to the amount of interest computed on the basis of the rate referred to in Article 39-1-3 of the French Tax Code or, if higher, up to the amount of interest computed on the basis of the rate that the borrowing entity could have obtained from independent financial credit institutions in similar circumstances.

Pursuant to Article 39.12 of the French Tax Code, two entities will be regarded as related if (i) one of the entities holds directly or indirectly the majority of the other entity's share capital or actually exercises the power of decision in that entity or (ii) both entities are placed under the conditions defined in (i) to the control of a same third entity.

In both cases (i.e., non-deductibility under Article 39-1-3 and 212 I-(a) of the French Tax Code), non-deductible interest might be re-characterized as constructive dividends pursuant to Articles 109 *et seq.* of the French Tax Code, which may be subject to the withholding tax set out under Article 119 *bis* 2 of the French Tax Code, at (i) the standard corporate income tax rate set forth in the first sentence of the second paragraph of Article 219 I of the French Tax Code (i.e., 26.5% for fiscal years beginning as from January 1, 2021 and 25% for fiscal years beginning as from January 1, 2022) for payments benefiting legal persons or (ii) the rate of 75% for payments made in non-cooperative jurisdictions within the meaning of Article 238-0 A of the French Tax Code other than those mentioned in 2° of 2 *bis* of the same Article 238-0 A (subject in any case to more favorable provisions of an applicable double tax treaty).

Pursuant to Article 212 *bis* of the French Tax Code, the deductibility of net financial expenses incurred by an entity in respect of a given fiscal year is limited to the higher of (i) €3 million (to be adjusted on a *pro rata temporis* basis for fiscal years which do not last twelve months) and (ii) 30% of its adjusted EBITDA in the same fiscal year (corresponding to its taxable income before offset of carryforward tax losses and without taking into consideration net financial expenses and, to some extent, depreciation, provisions and capital gains/losses) generated by such entity (the "**30% Limitation**"). Such limitation applies to both related-party and third-party financings regardless of the purpose of these financings, subject to certain limited exceptions.

Furthermore, for entities being part of a group that files eligible consolidated financial statements, a safeguard clause has been implemented in order to partially exempt companies that are able to demonstrate that the ratio of their own funds over their total assets is equal to or higher than the same ratio computed at the level of the accounting consolidated group to which they belong. In this specific case, net financial expenses exceeding the 30% Limitation are deductible up to 75% of their amount.

French thin-capitalization rules apply in respect of loans granted by related parties. Where the amount of the related party debt of a company exceeds a ratio equal to 1.5 times the company's own funds, the deduction of net financial expenses borne by such entity is deductible for a portion of their amount up to the higher of (i) 30% of its adjusted EBITDA and (ii) €3 million, multiplied by a ratio equal to (A) the average amount of sums borrowed from or made available by non-related parties (directly or indirectly) within the meaning of Article 39.12 of the French Tax Code increased by 1.5 times the company's own funds (assessed either at the beginning or at the closing date of the fiscal year) by (B) the average amount of all sums borrowed by or made available to the company during said year. The balance of net financial expenses is deductible for a portion of their amount up to the higher of (i) 10% of its adjusted EBITDA and (ii) €1 million multiplied by a ratio equal to (A) the average amount of sums borrowed from or made available by related parties (directly or indirectly) within the meaning of Article 39.12 of the

French Tax Code exceeding 1.5 times the company's own funds (assessed either at the beginning or at the closing date of the fiscal year) by (B) the average amount of all sums borrowed by or made available to the company during said fiscal year. However, the interest deductibility limitation provided for by these amended thin-capitalization rules does not apply if the borrowing company demonstrates that the overall indebtedness ratio of the group as determined under accounting consolidation rules (*i.e.*, the ratio existing between the total amount of the consolidated group's debts (with the exception of those owed to companies belonging to the consolidated group) and the amount of the consolidated group's own funds) to which it belongs is higher than or equal to its own indebtedness ratio (*i.e.*, the ratio existing between the total amount of its debts and the amount of its own funds).

Financial expenses that are disallowed pursuant to the 30% Limitation can be carried forward indefinitely and deducted in the future under the same conditions. On the other hand, the portion of financial expenses which tax deduction is disallowed as a result of the application of the €1 million threshold or 10% limitation is only eligible for carryforward for one-third of its amount. The unused interest deduction capacity of a current fiscal year may also be used over the five following fiscal years, but only against financial expenses incurred in respect of those fiscal years, it being noted that this measure is not available to thinly capitalized entities.

Specific rules apply to companies that belong to French tax consolidated groups, mainly (i) the 30% Limitation is computed on the basis of the consolidated adjusted EBITDA generated by such companies and (ii) the 1.5 debt-to-own funds ratio is analyzed (x) on a consolidated basis pursuant to French accounting rules applying for purposes of establishing consolidated financial statements and (y) in respect of loans granted by related parties within the meaning of Article 39.12 of the French Tax Code which do not belong to the same tax consolidated group.

Pursuant to the *Bulletin Officiel des Finances Publiques-Impôts* BOI-IS-BASE-35-40-10-20, § 20, dated May 13, 2020 and BOI-IS-BASE-35-40-20, § 240, dated May 13, 2020, the portion of interest that is not deductible by virtue of (i) Article 212 *bis*, I of the French Tax Code under the 30% Limitation and/or (ii) Article 212 *bis*, VII of the French Tax Code under the thin-capitalization rules is not to be recharacterized as a "deemed distribution" pursuant to Articles 119 *et seq.* of the French Tax Code and, therefore, is not subject to the withholding tax set out under Article 119 *bis* 2 of the French Tax Code.

Finally, the French Finance Law for 2020 includes specific provisions which implement into French tax legislation the provisions of the ATAD 2 in relation to hybrid mismatches with third countries, which are applicable as from January 1, 2020, except for certain of its provisions which would be applicable as from January 1, 2022. In relation to such implementation, the provisions of Article 212-1-(b) of the French Tax Code (*i.e.*, the former French anti-hybrid provisions) have been repealed.

Articles 205 B *et seq.* of the French Tax Code implementing ATAD 2 provide limitations on interest deductions in the event of (i) a deduction of a payment at the level of a paying entity without a corresponding inclusion of such payment in the taxable income of the receiving entity (referred to as a "*deduction without inclusion*") or (ii) a deduction of the same payment, operational expenses or losses in the taxable income of both the paying and receiving entity (referred to as a "*double deduction*"). Such limitations only apply to payments taking place between "associated enterprises", except for the so-called "structured arrangements" (*i.e.*, an arrangement pricing the relevant mismatch or an arrangement designed to produce the mismatch, subject to certain conditions). If the hybrid mismatch results in a deduction without inclusion, the deduction from taxable income will generally be denied to the French paying entity. Alternatively, the payment to a French receiving entity will be included in its taxable income if deduction is not denied in the jurisdiction of the paying entity. If the hybrid mismatch results in a double deduction, the deduction will either be denied at the level of the receiving entity or at the level of the paying entity.

In respect of fiscal years opened as from January 1, 2022, these provisions also cover reverse hybrid entities, referring to situations where an entity is deemed to be tax transparent by the Member State in which it is incorporated or established but the jurisdiction or jurisdictions in which its "associated enterprises" holding directly or indirectly in aggregate an interest in 50% or more of its voting rights, capital interests or rights to share profit are established, qualify the entity as non-transparent. Where a hybrid entity of a reverse hybrid mismatch is incorporated or established in France, its income is, as the case may be, either subject to French corporate income tax or taxable pursuant to the conditions provided for by Article 8 of the French Tax Code, to the extent that it is not taxed in another State.

Given the complex intragroup transactions within the Group and in the absence of any administrative doctrine on such new rules as of this date, the risk that the French tax authorities might try to challenge

the deductibility of part of the interest expenses resulting from intragroup financings on such grounds cannot be excluded.

The abovementioned tax rules may limit our ability to deduct interest accrued on our indebtedness incurred in France and, as a consequence, may increase our tax burden, which could adversely affect our business, results of operations and financial condition and reduce the cash flow available to service our indebtedness.

Please also refer to "*Risks related to legal and regulatory matters—Risks related to disputes—We are subject to risks from legal and arbitration proceedings*" in relation to the ongoing challenge by the French tax authorities of the deductibility of the interest on the Shareholder Bonds.

*Our business may be adversely affected by an increase in the applicable VAT rates in the countries where we operate.*

Our products are subject to VAT in each of the countries where we operate with different applicable rates set by each such country. As of December 31, 2018, standard VAT rate was 20% in France, 21% in Belgium and 21% in Spain. From 2010 to 2012, European governments increased VAT rates in order to bolster public finances, and there can be no assurance that VAT rates will not be further increased in the future. Our published retail prices are inclusive of VAT.

In a decision dated January 17, 2013, the Court of Justice of the European Union ruled that the Council Directive 2006/112/EC of November 28, 2006 on the common system of value-added tax did not authorize Spain to apply a reduced rate of VAT to medical equipment, aid and devices of general use that were not normally intended to alleviate or treat personal disabilities. This decision prompted discussions in Spain regarding a potential increase in the VAT rate applicable to the sale of optical products to the 21% standard VAT rate. In order to adapt the legislation to what is established in the Court of Justice ruling, the Spanish legislator amended the list of goods subject to the reduced rate of 10% as from January 2015 and the entitlement to that reduced rate has been limited to, among other products, a narrower range of pharmaceutical products that can be used by the consumer, and medical equipment and devices (which include, among others, prescription glasses and contact lenses). Frames of prescription glasses and products related to the maintenance of contact lenses were later included within the list of products subject to the 10% reduced VAT rate, effective as from June 29, 2017. Accordingly, in Spain, a reduced VAT rate of 10% currently applies to prescription glasses, prescription eyeglass frames, contact lenses and the products necessary for the use, care and maintenance thereof. This reduced rate does not apply to other accessories, spares and replacement parts of such goods. In addition, the Spanish General Directorate of Taxes has also ruled that this 10% reduced rate is not applicable to cases for lenses or glasses.

Other jurisdictions of the European Union where we have operations apply reduced VAT rates to the sale of optical products and may be required to increase VAT rates to comply with European Union regulations.

If VAT rates were to increase in the future or if the application of the reduced VAT rates were to be abandoned by the relevant jurisdictions, our profitability margins will be negatively impacted if we do not increase the prices of our products to match the increase in VAT. However, if we pass the increase in VAT on to our customers by raising the prices of our products, the demand for our products may decline, which could have a material adverse effect on our business, financial condition and results of operations. Furthermore, we face VAT risks arising out of our operating activities in the normal course of business and typical acquisition-related VAT risks relating to prior acquisitions and reorganizations.

### ***Risks related to our indebtedness***

*Our significant leverage and debt service obligations could materially adversely affect our business, results of operations, financial condition and prospects and may make it difficult to operate our business.*

After the issuance of the Notes, we will be highly leveraged. As of January 31, 2021, as adjusted to give effect to the Transactions and the application of the proceeds therefrom, we would have had total third-party gross debt excluding accrued interest of €479.0 million, of which €485.0 million would have been represented by the Notes and €67.7 million would have been represented by IFRS 16 leases. In addition, as of the Issue Date, the Issuer will have €30.0 million available for drawing under the New Revolving Credit Facility. The Issuer and its subsidiaries may, from time to time, guarantee debts of its franchisees. At January 31, 2021, we had provided guarantees in connection with the COVID-19 pandemic to certain of our franchisees for an amount of €15.0 million. See "*Capitalization*". We also



have significant commitments under our Guarantee Facilities (as defined under "*Description of Certain Other Indebtedness and Other Arrangements*") in the amount of €15.6 million as of January 31, 2021, accounts receivable assignments, trade payables and the Shareholder Bonds held by shareholders. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Off-balance sheet commitments*".

The terms of the Indentures will permit the Issuer and its restricted subsidiaries, as applicable, to incur substantial additional indebtedness. Our significant leverage could have important consequences for our business and operations, including, but not limited to:

- limiting our and our subsidiaries' ability to obtain additional financing to fund future working capital requirements, capital expenditures, business opportunities and other corporate requirements;
- making it more difficult for us to satisfy our obligations with respect to the Notes and our other debt and liabilities;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flow to fund internal growth through working capital and capital expenditures and for other general corporate purposes;
- increasing our vulnerability, and reducing our flexibility to respond, to a downturn in our business or general economic or industry conditions;
- placing us at a competitive disadvantage relative to competitors that have lower leverage or greater financial resources than we have;
- limiting our flexibility in planning for or reacting to competition or changes in our business and industry;
- negatively impacting credit terms with our creditors;
- restricting us from pursuing strategic acquisitions or exploiting certain business opportunities; and
- limiting, among other things, our and our subsidiaries' ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings.

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

In addition, we may be able to incur additional debt in the future, including indebtedness in connection with any future acquisition. The terms of the Indentures and the New Revolving Credit Facility Agreement will permit our subsidiaries to do so, in each case, subject to certain limitations. If new debt is added to our current debt levels, the risks that we now face could intensify. Moreover, certain of the debt we may incur in the future could be structurally senior to the Notes or may be secured by collateral that does not secure the Notes. For a discussion of our cash flows and liquidity, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and capital resources*".

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

Despite our significant leverage, we may incur substantial additional debt in the future. If any of the Issuer's subsidiaries incurs additional indebtedness, the holders of that debt will be entitled to share ahead of holders of the Notes in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of such subsidiaries. In addition, any debt ranking *pari passu* with the Notes may be secured by certain assets of the Issuer and holders of that debt will not be required to share with holders of the Notes in any proceeds distributed in connection with any enforcement of the security interests in such assets. Borrowings under other debt agreements or instruments that contain cross-acceleration or cross-default provisions, including the Notes, may as a

result be accelerated and become due and payable. We may be unable to pay these debts in such circumstances. Incremental debt at the level of the Issuer's subsidiaries that has cash-pay interest will reduce the ability of the operating subsidiaries of the Issuer to upstream cash that could be used by the Issuer to make interest payments on the Notes from time to time and to pay principal at maturity of the Notes.

Although the New Revolving Credit Facility Agreement and the Indentures will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. Moreover, the Indentures will not prevent us from incurring obligations or entering into other arrangements that do not constitute indebtedness under those agreements, such as receivables securitization financings. For a discussion of our cash flows and liquidity, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and capital resources*".

In addition, the terms of the Indentures will permit us to incur substantial additional indebtedness, including in respect of certain other secured debt that shares in the Collateral on a first-priority, including super-senior, basis or second-priority basis. Furthermore, the Indentures will allow our non-Guarantor subsidiaries to incur additional debt that would be structurally senior to the Notes and will not prevent us from incurring liabilities that do not constitute "Indebtedness" as defined thereunder. The incurrence of additional indebtedness would increase the leverage-related risks described in this Offering Memorandum.

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

Our businesses may not generate sufficient cash flows from operations to make payments on our debt obligations, and additional debt and equity financing may not be available to us in an amount sufficient to enable us to pay our debts when due, or to refinance such debts, including the Notes. Our ability to generate cash from operations is subject, in large part, to general economic, competitive, legislative and regulatory factors and other factors that are beyond our control. We may not be able to generate sufficient cash flow from operations or obtain enough capital to service our debt or fund our planned capital expenditure. If our future cash flows from operations and other capital resources are insufficient to pay obligations as they mature or to fund our liquidity needs, we may be forced to:

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

*We can provide no assurance that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all.*

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

In addition, any failure to make payments of interest or principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit ratings, which could harm our ability to incur additional indebtedness. In the absence of sufficient cash flow generated from our operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The terms of our indebtedness, including under the Indentures, restrict our ability to transfer or sell assets and to use the proceeds from

any such disposition. We may not be able to consummate certain dispositions 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.

*We are subject to covenants which limit our operating and financial flexibility and, if we default under our debt covenants, we may not be able to meet our payment obligations.*

The Indentures and the New Revolving Credit Facility will contain covenants that impose significant restrictions on the way the Issuer and the Group can operate, including restrictions on our ability to:

- incur or guarantee additional debt and issue preferred stock;
- layer certain types of indebtedness;
- create or incur certain liens;
- make certain payments, including dividends or other distributions;
- prepay or redeem subordinated debt or equity;
- make certain investments or acquisitions, including participating in joint ventures;
- engage in certain transactions with affiliates;
- create unrestricted subsidiaries;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to, and on the transfer of, assets to the Issuer or any restricted subsidiary;
- sell assets, consolidate or merge with or into other companies;
- sell or transfer all or substantially all our assets or those of our subsidiaries on a consolidated basis;
- change the holding company status of the Issuer;
- impair security interests for the benefit of the holders of the Notes;
- guarantee certain indebtedness of the Issuer and its subsidiaries;
- take certain actions at the Issuer level; and
- issue or sell share capital of certain subsidiaries.

All of these limitations will be subject to significant exceptions and qualifications. See "*Description of the Senior Secured Notes—Certain covenants*" and "*Description of the Senior Subordinated Notes—Certain covenants*". These covenants could limit our ability to finance future operations and capital needs and our ability to pursue acquisitions and other business activities that may be in our interest. Our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If we breach any of these covenants or restrictions, in addition to being in default under the Indentures and the Notes, we could be in default under the terms of the New Revolving Credit Facility Agreement or the Indentures, and the relevant lenders could elect to declare the debt, together with accrued and unpaid interest and other fees, if any, immediately due and payable and proceed against any collateral securing that debt. This would also result in an event of default under the Indentures. If the debt under the New Revolving Credit Facility Agreement, the Notes or the Guarantees or any other material financing arrangement that we enter into were to be accelerated, our assets may be insufficient to repay in full the Notes and our other debt.

The New Revolving Credit Facility Agreement also requires our subsidiaries to maintain a minimum amount of EBITDA. The ability to meet this test could be affected by a deterioration in our operating results, as well as by events beyond our control, including increases in prices charged by our suppliers and unfavorable economic conditions, and there can be no assurances that this test will be met. In addition, the New Revolving Credit Facility Agreement includes certain affirmative covenants, as well as negative covenants similar to those under the Indentures. A breach of any of those covenants or restrictions could result in an event of default under the New Revolving Credit Facility Agreement. If our creditors, including the creditors under the New Revolving Credit Facility Agreement, accelerate the payment of amounts due under our various debt obligations, there can be no assurances 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 Collateral granted to them to secure repayment of those amounts. See *"Description of Certain Other Indebtedness and Other Arrangements—New Revolving Credit Facility"*.

### **Risks related to the Notes, the Guarantees and the Collateral**

*The Notes will be structurally subordinated to the liabilities of the Issuer's non-guarantor subsidiaries.*

As of the Issue Date, none of the Issuer's subsidiaries will guarantee the Senior Secured Notes or Senior Subordinated Notes other than the Guarantors which will guarantee the Senior Secured Notes on a senior basis and the Senior Subordinated Notes on a subordinated basis. The amount enforceable under the Guarantees is limited to the outstanding amount under the Notes Proceeds Loans. Aside from the Issuer, only 3AB Optique Développement, L'Opticien Afflelou and Alain Afflelou Franchiseur will be party to Notes Proceeds Loans. The 3AB Optique Développement Proceeds Loan is limited to €347.2 million, the Alain Afflelou Franchiseur Proceeds Loan is limited to €30.0 million and the L'Opticien Afflelou Proceeds Loan is limited to €20.0 million. Moreover, there are no restrictions on the repayment or cancellation of the Alain Afflelou Franchiseur Proceeds Loan and the L'Opticien Afflelou Proceeds Loan and only limited restrictions on the repayment or cancellation of the 3AB Optique Développement Proceeds Loan. Any such repayment or cancellation would reduce the relevant Guarantor's obligations under its Guarantees. Alain Afflelou International, 3ABOE and LSFA will not be party to any Notes Proceeds Loan. The validity and enforceability of the Guarantees will be subject to the limitations described in *"Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests"*. By virtue of these limitations, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor (such as Alain Afflelou International, 3ABOE and LSFA) may have effectively no obligation under its Guarantee. Other indebtedness of the relevant Guarantor may not be similarly limited. In particular, although the Guarantees are for the benefit of the holders of both the Senior Secured Notes and the Senior Subordinated Notes, the terms of the Senior Subordinated Notes Indenture and the New Intercreditor Agreement will provide that the guaranteed amounts will be applied to satisfy amounts outstanding under the Senior Secured Notes prior to the Senior Subordinated Notes. See *"Pursuant to the subordination provisions in the New Intercreditor Agreement, there is doubt as to the ability of holders of Senior Subordinated Notes to recover in relation to an enforcement action premised on the Senior Subordinated Guarantees"*. In addition, none of the non-guarantor subsidiaries will have any obligation to pay amounts due under the Notes or to make funds available for that purpose. Generally, holders of indebtedness of, and trade creditors of, non-guarantor subsidiaries, including lenders under bank financing agreements, are entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to the Issuer as a direct or indirect shareholder of such subsidiaries.

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

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

The Notes and the Guarantees will be structurally subordinated to the creditors (including trade creditors) and any preferred stockholders of our non-guarantor subsidiaries and our guarantor subsidiaries, except to the extent of the enforceable amounts of such guarantees. As of January 31, 2021, the Issuer's subsidiaries had total third-party debt (excluding the lease debt mainly at Alain Afflelou Franchiseur and L'Opticien Afflelou) of €31.0 million (primarily government-backed loans raised by Alain Afflelou Franchiseur for a total of €30 million), of which €1 million will remain outstanding following the Transactions and accordingly will rank structurally senior to the Senior Secured Notes and the Senior Subordinated Notes. Furthermore, certain of our indebtedness is guaranteed by certain of our subsidiaries that do not also guarantee the Notes, primarily relating to guarantees given to banks on behalf of franchisees.

In addition, direct shareholders of indirect non-guarantor subsidiaries of the Issuer and their creditors will also be entitled to payments from the assets of such subsidiaries before any distributions will be made to the Issuer as an indirect shareholder.

*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 triggering event as required by the Indentures, and the change of control provision contained in the Indentures may not necessarily afford you protection in the event of certain important corporate events.*

Upon the occurrence of certain events constituting a "change of control triggering event", the Issuer will 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 and additional amounts, if any, to the date of purchase. If a change of control triggering event were to occur, there can be no assurances 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 our Existing Notes Indentures, the New Revolving Credit Facility Agreement, the New Intercreditor Agreement or our other than existing contractual obligations would allow us to make such required repurchases. A change of control triggering event may result in an acceleration of our New Revolving Credit Facility indebtedness or an event of default under our Indentures. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control triggering event itself does not. Under certain circumstances, a change of control triggering event under the New Revolving Credit Facility Agreement would, if so requested by a lender, result in the cancellation of such lender's commitments and require the repayment of amounts outstanding under such lender's commitments under the New Revolving Credit Facility Agreement and a change of control triggering event may result in an event of default under, or acceleration of, other indebtedness. In addition, we may be required to repay a proportionate amount of debt under our New Revolving Credit Facility Agreement if we repay all or a portion of the principal under the Notes. 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 triggering event, may be limited by our then existing financial resources. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control triggering event 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 the occurrence of a change of control triggering event. There can be no assurances 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 Indentures, which would, in turn, constitute a default under the New Revolving Credit Facility Agreement and certain other indebtedness. See "*Description of the Senior Secured Notes—Change of Control*" and "*Description of the Senior Subordinated Notes—Change of Control*". The change of control provision contained in the Indentures may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger, recapitalization or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "Change of Control Triggering Event" (as defined in the Indentures). In addition, certain events that constitute a change of control triggering event under any one of the New Revolving Credit Facility Agreement, the Senior Secured Notes Indenture or the Senior Subordinated Notes Indenture may not constitute a change of control under the other agreements.

In addition, the occurrence of certain events that might otherwise constitute a change of control triggering event will be deemed not to be a change of control triggering event, provided that a ratings downgrade has not occurred. In addition, even if a ratings downgrade has occurred, a change of control triggering event will not be deemed to have occurred if upon consummation thereto, a certain consolidated leverage ratio of the Issuer and its restricted subsidiaries is met.

The definition of "Change of Control" in the Indentures 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 that 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 assets of the Issuer and its restricted subsidiaries taken as a whole. As a

result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

*Corporate benefit, financial assistance laws and other limitations on the Guarantees or the security interests may adversely affect the validity and enforceability of the Guarantees of the Notes or security interests in the Collateral.*

The Guarantors will guarantee and the Issuer and the Guarantors will provide security interests in respect of, the payment of the Senior Secured Notes on a first-ranking basis and of the Senior Subordinated Notes on a second-ranking basis. The Issuer and the French Guarantors are incorporated under the laws of France and the Luxembourg Guarantor is incorporated under the laws of Luxembourg. Enforcement of the obligations under a Guarantee against the Guarantors or the enforcement of a security interest in the Collateral will be subject to certain defenses available to the Guarantors or the Issuer, as applicable, in the relevant jurisdiction, as the case may be. Although laws differ in these jurisdictions, these laws and defenses available to the Guarantors or the Issuer may include those that relate to fraudulent conveyance or transfer, financial assistance, corporate purpose or benefit, voidable preference, insolvency or bankruptcy challenges, preservation of share capital, thin capitalization, capital maintenance or similar laws and regulations or defenses affecting the rights of creditors generally. Furthermore, the amounts recoverable under such Guarantees or Collateral, as applicable, will be limited to the maximum amount that can be guaranteed or secured by a particular Guarantor under French law, to the extent that the granting of such Guarantee or Collateral is not in the relevant Guarantor's corporate interests, or the burden of such Guarantee or Collateral exceeds the benefit to the relevant Guarantor, or such Guarantee or Collateral would be in breach of capital maintenance, financial assistance, liquidity maintenance or thin capitalization rules or any other general statutory laws and/or would cause the directors of such Guarantor to contravene their fiduciary duties and incur civil or criminal liability. If one or more of these laws and defenses are applicable, the Guarantors may have no liability or decreased liability under their respective Guarantees or the security interest in the Collateral may be void or may not be enforceable depending on the amounts of its other obligations and applicable law. Limitations on the enforceability of judgments obtained in New York courts in such jurisdictions could limit the enforceability of the Guarantees against the Guarantors or security interest in the Collateral against any of the Issuer and the Guarantors .

The credit support under the Guarantees provided by the Guarantors organized under the laws of France is subject to:

- French rules relating to financial assistance pursuant to which a company is prohibited from guaranteeing indebtedness of another company that is used, directly or indirectly, for the purpose of its acquisition or of the subscription of its shares, and the guarantee may not include any obligation which, if incurred, would constitute prohibited financial assistance, including, for example, within the meaning of Article L. 225-216 of the French Code de Commerce or an infringement of the provisions of Articles L. 241-3, L. 242-6 or L. 244-1 of the French Code de Commerce (or any other laws or regulations having the same effect, as interpreted by French courts); and
- French rules relating to corporate benefit: the grant of a guarantee by a French company for the obligations of another group company must be for the corporate benefit of the granting company.

Under French corporate benefit rules, a court could declare any guarantee unenforceable and, if payment had already been made under the relevant guarantee, require that the recipient return the payment to the relevant guarantor, if the court found that the French guarantor did not receive some real and adequate corporate benefit from the transaction involving the grant of the guarantee as a whole. The existence of corporate benefit is a factual matter which must be determined on a case-by-case basis. French case law has recognized that certain intragroup transactions (including upstream guarantees) can be in the corporate interest of the relevant company, particularly, where the following five criteria are fulfilled:

- the existence of a genuine group of companies to which the guarantor and the person whose obligations are being guaranteed belong operating under a common strategy aimed at a common objective and the guarantee or security documents, and the transaction to which they relate, must be entered into in furtherance of the common economic interest of the group as a whole and the liability under the guarantee should be commensurate with such group benefit;

- the risk assumed by a French guarantor is proportionate to the benefit;
- the transaction maintains a balance between the financial commitments of the relevant affiliates;
- the French guarantor receives an actual and adequate benefit, consideration or advantage from the transaction involving the granting by it of the guarantee or security interest which is commensurate with the liability which it takes on under the guarantee or security interest; and
- the obligations of the French guarantor under the guarantee do not exceed its financial capability.

The existence of a real and adequate benefit to the guarantor and whether the amounts guaranteed are commensurate with the benefit received are matters of fact as to which French case law provides no clear guidance.

The Guarantees provide the holders of the relevant Notes with a direct claim against the Guarantors. However, the Indentures will provide that each Guarantee and the amounts recoverable will be limited to the maximum amount that can be guaranteed by the relevant Guarantor, without rendering its relevant Guarantee voidable or otherwise ineffective under applicable law, and enforcement of each Guarantee would be subject to certain generally available defenses.

In addition, under French law, the Guarantees will be limited for each Guarantor to the aggregate amount of the Notes proceeds on-lent, directly or indirectly, to such Guarantor and outstanding from time to time. Any payment that will be made by such Guarantor under such proceeds loans would reduce the maximum amount of its Guarantee. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*".

The granting of guarantees/security interests by a Luxembourg company is subject to specific limitations and requirements arising from considerations related to its corporate object and corporate benefit. The granting of guarantees/security interests by a Luxembourg company must come within its corporate object ("*objet social*"). In addition, there is also a requirement according to which the granting of guarantees/security interests by a Luxembourg company must be in furtherance of its corporate benefit ("*intérêt social*"). In particular, according to article 1500-11 of the Luxembourg law dated 10 August 1915 on commercial companies, as amended (the "**Luxembourg Companies Law**"), it is a criminal offence for managers or directors of a company to use the assets or the credit of a company for a purpose which they know to be against the interest of the company in their personal interest, or in the interest of companies in which they are directly or indirectly interested. The granting of a guarantee or of a security interest in violation of article 1500-11 of the Luxembourg Companies Law would constitute a criminal offence committed by the managers/directors of the company but there is also a risk that the guarantee/the security interest could be considered to be null and void. There is no relevant Luxembourg case law on the application of this provision to intra-group financing transactions. With respect to guarantee, regard may however be given to the situation in France as the Luxembourg legal provision on abuse of corporate assets is identical to the French provisions and Luxembourg courts tend to take into consideration French case law in respect of legal provisions which are similar in both jurisdictions. French case law has developed certain criteria under which a company may, in the absence of a direct own benefit, grant a guarantee for the obligations of another group company without violating French law provisions equivalent to article 1500-11 of the Luxembourg Companies Law.

In respect of guarantees, the following criteria, which have been used by the French Supreme Court (*Cour de Cassation*), may be used as a general guideline:

- the transaction in the context of which the guarantee is granted is entered into with a view to furthering economic, social or financial interests within the framework of a common policy defined for the group as a whole;
- the financial commitments (a) are entered into for consideration (not necessarily monetary) and (b) do not disturb the balance between the respective commitments of the group companies; and
- the financial commitments do not exceed the financial capabilities of the company which bears the burden of such commitments.



Although no statutory definition of corporate benefit exists under Luxembourg law, corporate benefit is broadly interpreted and includes any transactions from which the Luxembourg company derives a direct or indirect economic or commercial benefit. The question as to whether there is sufficient corporate benefit for a company to grant a guarantee is very fact-based and is to be assessed by the managers/directors of the relevant company.

The provision of a guarantee for the obligations of direct or indirect subsidiaries is likely to raise no particular concerns, whereas the provision of guarantees in favor of companies who have the same direct or indirect shareholders as the Luxembourg company (cross-stream assistance) and companies who are the direct or indirect shareholder of the Luxembourg company, such as the Guarantees of the Luxembourg Guarantor, (upstream assistance) are less likely to directly benefit the guarantor. With respect to security interests, no issue should arise, in principle, in relation to cross-stream and upstream security interests, as such security interests are limited by nature to the assets subject to the relevant security interest (and can therefore not exceed the financial capabilities of the company required to grant such a security interest).

As a result, the Guarantees granted by the Luxembourg Guarantor may be subject to certain limitations, which will take the form of a guarantee limitation language, which will be inserted in the New Intercreditor Agreement and which covers, subject to certain exceptions, the aggregate obligations and exposure of the relevant Luxembourg assisting company under all the Finance Documents.

For the sake of completeness, any security interests/guarantees granted by entities organized in the Grand Duchy of Luxembourg, which constitute a breach of the provisions on financial assistance as defined by article 430-19 of the Luxembourg Companies Law or any other similar provisions (to the extent applicable, as at the date of this Offering Memorandum, to an entity organized under the laws of the Grand Duchy of Luxembourg), might not be enforceable, if the specific requirements set out in the Luxembourg Companies Law are not met. We do however take the view that the rules on financial assistance should not apply to the Guarantees by the Luxembourg Guarantor considering that such Guarantees are not granted with a view of the acquisition of the Luxembourg Guarantor's shares.

*The Notes, the Guarantees and the security interests in the Collateral may be declared unenforceable against third parties under fraudulent conveyance laws.*

French and Luxembourg laws contain similar specific provisions dealing with fraudulent conveyance both in and outside bankruptcy. These provisions offer creditors protection against a decrease in their means of recovery. A legal act performed by a person (including, without limitation, an agreement pursuant to which the person guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of its or a third party's obligations, enters into additional agreements benefiting from existing security and any other legal act having similar effect) can be challenged in or outside bankruptcy of the relevant person by the bankruptcy trustee in a bankruptcy of the relevant person or by any of the creditors of the relevant person outside bankruptcy, and may be declared unenforceable against third parties under both French and Luxembourg law if: (i) the person performed such acts without an obligation to do so; (ii) the creditor concerned or, in the case of the person's bankruptcy, any creditor, was prejudiced in its means of recovery as a consequence of the act; and (iii) at the time the act was performed both the person and the counterparty to the transaction knew or should have known that one or more of its creditors (existing or future) would be prejudiced in their means of recovery, unless the act was entered into for no consideration in which case such knowledge of the counterparty is not necessary for a successful challenge on grounds of fraudulent conveyance.

In addition, in the case of the bankruptcy of the Luxembourg Guarantor, the liquidator, receiver, administrative receiver or administrator may nullify the debtor's performance of any due and payable obligation (including (without limitation) an obligation to provide security for any of its or a third party's obligations) if (i) the payee knew that a request for bankruptcy had been filed at the moment of performance or (ii) the performance of the obligation was the result of a consultation between the debtor and the payee in order to give preference to the latter over the debtor's other creditors. If a court finds that the issuance of the Notes, the granting of the security interests the share pledges or bank accounts pledges, or the granting of a guarantee involved a fraudulent conveyance that did not qualify for any defense under applicable law, then the issuance of the Notes, the granting of the security interests in the share pledges or bank accounts pledges could be declared unenforceable or nullified.

As a result of such successful challenges, holders of the Notes may not benefit from the Guarantees or the security interests in the share pledges, intragroup receivables or bank account pledges and the value of any consideration that holders of the Notes received with respect to the security interests in



the share pledges, intragroup receivables or bank account pledges or the Guarantees could also be subject to recovery from the holders of the Notes and, possibly, from subsequent transferees. In addition, under such circumstances, holders of the Notes might be held liable for any damages incurred by prejudiced creditors of the Issuer or the Guarantors as a result of the fraudulent conveyance. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests—France*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests—Luxembourg*".

*Enforcing your rights as a holder of the Notes or under the Guarantees or security interests in the Collateral across multiple jurisdictions may be difficult.*

The Notes will be issued by the Issuer, a company organized and established under the laws of France, and will be guaranteed by the French Guarantors, which are organized under the laws of France and the Luxembourg Guarantor, which is organized under the laws of the Grand Duchy of Luxembourg. The Notes will be secured by security interests in the Collateral provided by the Guarantors and the Issuer. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in any of these jurisdictions. The rights of holders of the Notes under the Guarantees or under security interests in the Collateral will thus be subject to the laws of a number of jurisdictions, and it may be difficult to enforce such rights in multiple bankruptcy, insolvency and other similar proceedings.

Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors. In addition, the bankruptcy, insolvency, administration and other laws of France and Luxembourg may be materially different from, or in conflict with, one another, including creditors' rights, the priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings. The application of these various laws in these jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect the ability to realize any recovery under the Notes and the Guarantees or under security interests in the Collateral.

Moreover, in certain jurisdictions, it is unclear whether all security interests in the Collateral give the Security Agent a right to prevent other creditors from foreclosing on and realizing the Collateral or whether certain security interests only give the Security Agent and the holders of the Notes priority (according to their rank) in the distribution of any proceeds of such realization. Accordingly, the Security Agent and the holders of the Notes may not be able to avoid foreclosure by other creditors (including unsecured creditors) on the Collateral. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*".

Under Luxembourg and French law, enforcement of a security interest in the Collateral provided by the Issuer and the Guarantors, as the case may be, may be adversely affected by specific or general defenses available to debtors under Luxembourg or French law, as the case may be, in respect of the validity, binding effect and enforceability of such security interest.

*The insolvency and administrative laws of France and Luxembourg, as the case may be, may not be favorable to creditors, including investors in the Notes, and may limit your ability to enforce your rights under the Notes, the Guarantees or the security interests in the Collateral.*

The Notes will be issued by the Issuer and will be guaranteed by the Guarantors, which are organized and existing under the laws of France or, in the case of the Luxembourg Guarantor, Luxembourg. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in France or Luxembourg. Proceedings could also be initiated in France or Luxembourg to enforce your rights against Collateral located in those jurisdictions. Such multi-jurisdictional proceedings are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. There can also be no assurance that you will be able to enforce your rights effectively in such complex, multiple bankruptcy, insolvency or similar proceedings. In addition, while the Luxembourg Guarantor conducts the majority of its business in Luxembourg, to the extent that its center of main interests is deemed to be in France, it would be subject to French insolvency proceedings, including court-assisted proceedings (*mandat ad hoc or conciliation proceedings*) and court-controlled insolvency proceedings (*sauvegarde*), accelerated financial safeguard proceedings (*sauvegarde financière accélérée*), or reorganization or liquidation proceedings (*redressement or liquidation judiciaire*). In general, French insolvency legislation favors the continuation of a business and protection of employment over the payment of creditors and could limit the ability of holders of the Notes to enforce their rights. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests—France*".

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

Finally, pursuant to the European Parliament and the Council Regulation (EU) no. 2015/848 of May 20, 2015 on insolvency proceedings, the court that shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the Member State (other than Denmark) where the company has its "center of main interests". Therefore, to the extent that the "center of main interests" of the Issuer is deemed to be in France, French courts may have jurisdiction over the insolvency proceedings of the Issuer.

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

The Issuer, the Guarantors and their respective subsidiaries are organized outside the United States, and their business is conducted entirely outside the United States. All of the directors and executive officers of the Issuer and the Guarantors are nonresidents of the United States. Although the Issuer and the Guarantors will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process in the United States on the directors and executive officers of the Issuer and the Guarantors. In addition, because all of the assets of the Issuer and the Guarantors and their respective subsidiaries and those of their directors and executive officers are located outside the United States, you may be unable to enforce against them judgments obtained in U.S. courts. Moreover, actions of the Issuer and the Guarantors may not be subject to the civil liability provisions of the federal securities laws of the United States.

The United States is not currently bound by a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters with France or Luxembourg. There is, therefore, doubt as to the enforceability in France or Luxembourg of civil liabilities based upon U.S. securities laws in an action to enforce a U.S. judgment in France or Luxembourg. In addition, the enforcement in France or Luxembourg of any judgment obtained in a U.S. court based on civil liabilities, whether or not predicated solely upon U.S. federal securities laws, will be subject to certain conditions. There is also doubt that a French or Luxembourg court would have the requisite power or authority to grant remedies sought in an original action brought in France or Luxembourg on the basis of U.S. securities laws violations. For further information, see "Service of Process and Enforcement of Civil Liabilities".

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

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

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

*The granting of the security interests in the Collateral may create hardening periods for such security interests in accordance with the law applicable in France.*

The granting of new security interests in connection with the issuance of the Notes may create hardening periods for such security interests in France. The applicable hardening period for these new security interests will run from the moment each new security interest has been granted, perfected or recreated. In addition, the Indentures will permit the security interests in the Collateral to be released and retaken in certain circumstances. Such release and retaking will restart the applicable hardening periods. Moreover, the granting of a shared security interest to secure future indebtedness may restart or reopen hardening periods in France. The applicable hardening period may run from the moment such new security is amended, granted or perfected. In each case, if the security interest granted, perfected or recreated were to be enforced before the end of the respective hardening period applicable in such jurisdiction, it may be declared void and/or it may not be possible to enforce it. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*".

*You may be required to pay a "soulte" in the event you decide to enforce the securities account by judicial or contractual foreclosure of the Collateral consisting of shares rather than by a sale of such Collateral in a public auction.*

Security interests governed by French law may only secure payment obligations, may only be enforced following a payment default and may only secure up to the secured amount that is due and remaining unpaid. Under French law, pledges over assets may generally be enforced at the option of the secured creditors either (i) pursuant to a judicial process (x) by way of a sale of the pledged assets in a public auction (the proceeds of the sale being paid to the secured creditors) or (y) by way of the judicial foreclosure (*attribution judiciaire*) of the pledged assets or (ii) by way of contractual foreclosure (*pacte comissoire*) of the pledged assets to the secured creditors, following which the secured creditors become the legal owner of the pledged assets. If the secured creditors choose to enforce by way of foreclosure (whether a judicial foreclosure or private foreclosure), the secured liabilities would be deemed extinguished up to the value of the foreclosed assets. Such value is determined either by the judge in the context of a judicial attribution or by a pre-contractually agreed expert in the context of a private attribution (*pacte comissoire*). In a proceeding regarding an *attribution judiciaire* or a *pacte comissoire*, an expert is appointed to value the collateral (in this case, the securities) and if the value of the collateral exceeds the amount of secured debt, the secured creditor may be required to pay the pledgor a cash amount (*soulte*) equal to the difference between the value of the securities and the amount of the secured debt. This is true regardless of the actual amount of proceeds ultimately received by the secured creditor from a subsequent sale of the Collateral.

If the value of such securities/assets is less than the amount of the secured debt, the relevant amount owed to the relevant creditors will be reduced by an amount equal to the value of such securities/assets, and the remaining amount owed to such creditors will be unsecured.

Should a holder of the Notes decline to request the judicial or contractual foreclosure of the securities/assets, an enforcement of the pledged securities/assets could be undertaken through a public auction in accordance with applicable law. Since such public auction procedures are not designed for a sale of a business as a going concern, however, it is possible that the sale price received in any such auction might not reflect the value of our business as a going concern.

*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 Indentures and/or the New Intercreditor Agreement and accepted by other creditors that have the benefit of first-ranking 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, 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, among others, prior statutory or other liens, in particular in cases where lien searches are not available (for instance, for pledges over bank accounts or pledges over receivables).

In France and Luxembourg, no lien searches are available for security interests that are not registered, including pledges over securities accounts, bank accounts or receivables. As a result, there can be no assurances as to the priority of the French and Luxembourg law-governed pledges over the Collateral comprising assets of these types. The ranking of security interests can also be affected by the timely satisfaction of perfection requirements or recharacterization under the laws of certain jurisdictions.

The security interests of the Security Agent will be subject to practical problems generally associated with the realization of security interests over real or personal property such as the Collateral. For example, the Security Agent may need to obtain the consent of a third party, including that of competent regulatory authorities or courts, to enforce a security interest. There can be no assurance that the Security Agent will be able to obtain any such consents. There can be no assurances that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Collateral may significantly decrease.

*Holders of each series of Notes may not control certain decisions regarding the Collateral.*

The Senior Secured Notes will be secured on a first-priority basis by the Collateral, which will also secure the obligations under the New Revolving Credit Facility and, if any, certain hedging obligations and certain other indebtedness (the "Super Senior Liabilities") and the Senior Subordinated Notes will be secured on a second-priority basis by the Collateral.

The Indentures also permit the Collateral to secure additional indebtedness in accordance with the terms thereof and the New Intercreditor Agreement. The New Intercreditor Agreement provides that the Security Agent will only enforce the Collateral as provided for in the New Intercreditor Agreement, and regulates the ability of the Trustees 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 that consists of the holders of the aggregate principal amount of the then outstanding Senior Secured Notes, creditors in respect of indebtedness ranking *pari passu* with the Senior Secured Notes and creditors in respect of certain non-priority hedging obligations (the "**Senior Secured Credit Participations**") which aggregate more than 50.1% of the total Senior Secured Credit Participations at that time (the "Notes/Pari Passu Required Holders") (in each case acting through their respective creditor representatives). However, if and to the extent the obligations under the Super Senior Liabilities have not been fully discharged in cash within six months of such enforcement instructions first being issued or if Security Agent has not commenced enforcement action within three months of enforcement instructions first being issued or certain insolvency events occur and the Security Agent has not commenced any enforcement action, then the enforcement instructions provided by creditors holding more than 66.66% of the indebtedness and commitments under the New Revolving Credit Facility Agreement and the certain priority hedging obligations (the "Majority Super Senior Creditors") will prevail.

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

If at any time an insolvency event has occurred with respect to any debtor (other than an insolvency event which is the direct result of any action taken by the Security Agent acting on the instructions of the Majority Super Senior Creditors or the Notes/Pari Passu Required Holders), the Security Agent shall act, to the extent the Majority Super Senior Creditors have provided such instructions, in accordance with the instructions received from the Majority Super Senior Creditors, provided that in the event the Security Agent has received proposed enforcement instructions from the creditor representative for the Notes/Pari Passu Required Holders and has commenced enforcement action pursuant to such instructions, the Security Agent shall continue to act in accordance with the instructions of the creditor representative for the Notes/Pari Passu Required Holders until such time as the representative for the Majority Super Senior Creditors issues enforcement instructions to the Security Agent and such instructions shall override and supersede any such prior instructions given by the creditor representative

for the Notes/Pari Passu Required Holders. Furthermore, the rights to enforce remedies with respect to the Collateral securing the *Senior Subordinated Notes and the Senior Subordinated Notes Guarantees* are limited. See "*Risks related to the Senior Secured Notes—The rights to enforce remedies with respect to the Collateral securing the Senior Subordinated Notes and the Senior Subordinated Notes Guarantees are limited as long as any senior secured debt is outstanding*".

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

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

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

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

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

*The Luxembourg Guarantor is incorporated in Luxembourg, and Luxembourg law differs from U.S. law and may afford less protection to holders of the Notes.*

Holders of the Notes may have more difficulty protecting their interests than would security holders of a corporation incorporated in a jurisdiction of the United States. As a Luxembourg company, the Luxembourg Guarantor is incorporated under and subject to the Luxembourg Companies Law and other provisions of Luxembourg law. The Luxembourg Companies Law differs in some material respects from laws generally applicable to U.S. corporations and security holders, including the provisions relating to interested directors, mergers, amalgamations and acquisitions, takeovers, security holder lawsuits and indemnification of directors.

Under Luxembourg law, the duties of directors and managers of a company are generally owed to the company only. Security holders of Luxembourg companies generally do not have rights to take action against directors or managers of the company, except in limited circumstances. Directors or managers of a Luxembourg company must, in exercising their powers and performing their duties, act in good faith and in the interests of the company as a whole and must exercise due care, skill and diligence. Directors or managers have a duty not to put themselves in a position in which their duties to the company and their personal interests may conflict and also are under a duty to disclose any personal interest in any contract or arrangement with the company or any of its subsidiaries. If a director or manager of a Luxembourg company is found to have breached his or her duties to that company, he or she may be held personally liable to the company in respect of that breach of duty. A director or manager may be jointly and severally liable with other directors implicated in the same breach of duty.

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

For a description of the security over the Collateral, see "*Description of the Senior Secured Notes—Security*" and "*Description of the Senior Subordinated Notes—Security*". In the event of an enforcement of the pledges in respect of the Notes, the proceeds from the sale of the assets underlying the pledges may not be sufficient to satisfy the Issuer's obligations with respect to the Notes. No appraisal of the value of the Collateral has been made in connection with this Offering. The value of the assets underlying the pledges will also depend on many factors, including, among others, whether or not the business is sold as a going concern, the ability to sell the assets in an orderly sale, the condition of the economies in which operations are located, the availability of buyers and whether approvals required to purchase the business would be available to a buyer of the assets. In addition, the New Intercreditor Agreement will provide that, in the event of any distribution of the proceeds from the sale of certain Collateral, the lenders under the New Revolving Credit Facility or certain hedging obligations and certain future indebtedness will be entitled to receive from such distribution payment in full in cash before the holders of the Senior Secured Notes, will be entitled to receive any payment from such distribution with respect to the Senior Secured Notes and the holders of the Senior Subordinated Notes will only be entitled to receive any payment from such distribution with respect to the Senior Subordinated Notes after the Senior Secured Notes have been repaid in full.

The shares and other Collateral that are pledged or assigned for the benefit of the holders of the Notes may provide for only limited repayment of the Notes, in part because most of these shares or other assets may not be liquid and their value to other parties may be less than their value to us. Likewise, there can be no assurances that the Collateral will be salable or, if salable, that there will not be substantial delays in the liquidation thereof. Most of our assets will not secure the Notes, and it is possible that the value of the Collateral will not be sufficient to cover the amount of indebtedness secured by such Collateral. As a result, the creditors secured by a pledge of the shares may not recover anything of value in the case of an enforcement sale. In addition, the value of this Collateral may decline over time.

The Indentures will also permit the granting of certain liens other than those in favor of the holders of the Notes on the Collateral. To the extent that holders of other secured indebtedness or third parties have liens on the Collateral, including statutory liens, whether or not permitted by the Indentures or the Security Documents, such holders or third parties may have rights and remedies with respect to the Collateral which, if exercised, could reduce the proceeds available to satisfy our obligations under the Notes. Moreover, if we issue additional notes under the Indentures, holders of such additional notes would benefit from the same collateral as the holders of the Notes being offered hereby, thereby diluting your ability to benefit from the liens on the Collateral. Although we will be subject, under the Indentures, to certain restrictions on our ability to incur additional indebtedness that will be secured by the Collateral including, in the case of the Senior Secured Notes Indenture, a Consolidated Senior Secured Leverage Ratio (as defined and described under "*Description of the Senior Secured Notes—Certain covenants—Limitation on Indebtedness*"), the definition of Senior Secured Indebtedness (as defined under "*Description of the Senior Secured Notes*") for the purposes of calculating the Consolidated Senior Secured Leverage Ratio contains certain important exceptions and carve-outs.

*The security over the Collateral will not be granted directly to the holders of the Notes.*

The security interests in the Collateral that will secure the obligations of the Issuer under the Notes and the obligations of the Guarantors under their respective Guarantees will not be granted directly to the holders of the Notes but will be granted only in favor of the Security Agent. The Indentures and the New Intercreditor Agreement will provide that only the Security Agent as security agent, trustee and Parallel Debt (as defined below) creditor 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 Trustees under the Indentures, who will (subject to the provisions of the Indentures) provide instructions to the Security Agent for the Collateral.

Under both French and Luxembourg law, certain "accessory" security interests such as rights of pledge require that the pledgee and the creditor are the same person. Such security interests cannot be held on behalf of third parties who do not hold the secured claim. The beneficial holders of interests in the Notes from time to time will not be parties to the Security Documents. In order to permit the beneficial holders of the Notes to benefit from a secured claim, the New Intercreditor Agreement will provide for the creation of "parallel debt" obligations in favor of the Security Agent (the "Parallel Debt") mirroring

the obligations of the Issuer and the Guarantors (as principal obligors) towards the holders of the Notes under or in connection with the Indentures (the "Principal Obligations"). The Parallel Debt will at all times be in the same amount and payable at the same time as the Principal Obligations. Any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. Pursuant to the Parallel Debt, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the Notes. The pledges governed by French or Luxembourg law will directly secure the Parallel Debt, and may not directly secure the obligations under the Notes and the other indebtedness secured by the Collateral. The holders of the Notes will not be entitled to take enforcement actions in respect of such security interests except through the Security Agent (even if they are in some instances direct beneficiaries of the security interests in the Collateral).

None of the Parallel Debt and trust mechanism constructs have been generally recognized by French courts and to the extent that the Notes or security interests in the Collateral created under the Parallel Debt and/or trust constructs are successfully challenged by other parties, holders of the Notes will not receive on this basis any proceeds from an enforcement of the Guarantees or security interests in the Collateral. In addition, the holders of the Notes will bear the risks associated with the possible insolvency or bankruptcy of the Security Agent as the creditor of the Parallel Debt.

There is one published decision of the French Supreme Court (*Cour de cassation*) on Parallel Debt mechanisms (*Cass. com.* September 13, 2011 n°10-25533 Belvedere) relating to a bond documentation governed by New York law. Such a decision recognized the enforceability in France of certain rights (especially the filing of claims in safeguard proceedings) of a security agent benefiting from a Parallel Debt. In particular, the French Supreme Court upheld the proof of claim of the legal holders of a Parallel Debt claim, considering that it did not contravene French international public policy (*ordre public international*) rules. The ruling was made on the basis that the French debtor was not exposed to double payment or artificial liability as a result of the Parallel Debt mechanism. Although this court decision is generally viewed by legal practitioners and academics as a recognition by French courts of Parallel Debt structures in such circumstances, there can be no assurance that such a structure will be effective in all cases before French courts. Indeed, it should be noted that the legal issue addressed by it is limited to the proof of claims. The French court was not asked to generally uphold French security interests securing a Parallel Debt. Case law on this matter is scarce and based on a case-by-case analysis. Such a decision should not be considered as a general recognition of the enforceability in France of the rights of a security agent benefiting from a Parallel Debt claim. There is no certainty that the Parallel Debt construction will eliminate the risk of unenforceability under French law.

The Parallel Debt construction has not been tested under Luxembourg law, and there is no certainty that it will eliminate or mitigate the risk of unenforceability of security interests posed by Luxembourg law.

To the extent that the security interests in the Collateral created under the Parallel Debt construction are successfully challenged by other parties, holders of the Notes will not be entitled to receive on this basis any proceeds from an enforcement of the security interests in the Collateral. The holders of the Notes will bear the risks associated with the possible insolvency or bankruptcy of the Security Agent as the beneficiary of the Parallel Debt.

The concept of "trust" has been recognized by the French Tax Code and the French Supreme Court (*Cour de cassation*), which has held, in the same published decision referred to above (*Cass. com.* September 13, 2011 n°10-25533 Belvedere) that a trustee validly appointed under a trust governed by the laws of the State of New York could validly be regarded as a creditor in safeguard proceedings opened in France. However, France has not ratified the Hague Convention of July 1, 1985 on the law applicable to trusts and on their recognition (the "Trust Convention"), so that the concept of "trust" has not been generally recognized under French law. Luxembourg has ratified the Trust Convention so that any trust to which the Trust Convention applies will be recognized under Luxembourg law subject to the Trust Convention. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests—France*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests—Luxembourg*".

*The Notes and the Guarantees will be secured only to the extent of the value of the assets that have been granted as security for the Notes or the Guarantees.*

If there is an event of default in respect of the Notes, the holders of the Notes will be secured only to the extent of the value of the assets that have been granted as security for the Notes or the Guarantees. In addition, in the future, the obligations to provide additional guarantees and grant additional security over assets, whether as a result of the creation of future assets or subsidiaries or otherwise, are, in certain circumstances, linked to our obligations under the New Revolving Credit Facility Agreement, subject to certain agreed security principles. To the extent that lenders under the New Revolving Credit Facility Agreement are granted security, the negative pledge in the Indentures may require, subject to local law limitations, such security to also be granted for the benefit of holders of the Notes. The agreed security principles set forth in the Indentures contain a number of limitations on the rights of the lenders to be granted security in certain circumstances. The operation of the agreed security principles may result in, among other things, the amount recoverable under any Collateral provided being limited or security not being granted or perfected over a particular type or class of assets. Accordingly, the agreed security principles may affect the value of the security provided by the Issuer and the Guarantors.

To the extent that the claims of the holders of the Notes exceed the value of the assets securing those Notes and other obligations, those claims will rank equally with the claims of the holders of all other existing and future senior unsecured indebtedness ranking *pari passu* with the Senior Secured Notes, provided that the Senior Subordinated Notes will be contractually subordinated in right of payment to any senior indebtedness of the Issuer, including the Issuer's obligations under the Senior Secured Notes, the New Revolving Credit Facility and certain hedging obligations, if any. As a result, if the value of the assets pledged as security for the Notes is less than the value of the claims of the holders of the Notes, those claims may not be satisfied in full before the claims of certain unsecured creditors are paid.

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

Applicable law may require that a security interest in certain assets can only be properly perfected and its priority retained through certain actions undertaken by the secured party. The security interests in the Collateral may not be perfected with respect to the Notes if the Security Agent is not able to or does not take the actions it is directed to take by the relevant group of creditors, which are necessary to perfect any such security interests. Such failure may result in the invalidity of the relevant security interest in the Collateral securing the Notes or adversely affect the priority of such security interest in favor of the Notes against third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral. In addition, applicable law may require that certain property and rights acquired after the grant of a general security interest can only be perfected at the time such property and rights are acquired and identified. There can be no assurance that we will inform the Security Agent of the future acquisition of property and rights that constitute Collateral, and that the necessary action will be taken to properly perfect the security interest in such after-acquired collateral. The Security Agent has no obligation to monitor the acquisition of additional property or rights that constitute Collateral or the perfection of any security interest therein. Such failure may result in the loss of the security interest in the Collateral or the priority of the security interest in favor of the Notes against third parties.

Additionally, the Indentures and the Security Documents entered into in connection with the Notes will not require us to take a number of actions that might improve the perfection or priority of the security interests of the Security Agent in the Collateral. To the extent that the security interests created by the Security Documents with respect to any Collateral are not perfected, the Security Agent's rights will be equal to the rights of general unsecured creditors in the event of a liquidation, foreclosure, bankruptcy, reorganization or similar proceeding.

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

Under various circumstances, the Collateral securing the Notes and the Guarantees will be released automatically as described under "Description of the Senior Secured Notes—Security—Release of Liens" and under "Description of the Senior Subordinated Notes—Security—Release of Liens", including:



- in connection with any sale or other disposition of property or assets constituting Collateral (as applicable), if the sale or other disposition does not violate the "*—Limitation on Sales of assets and subsidiary stock*" covenant, as described under "*Description of the Senior Secured Notes*", and "*Description of the Senior Subordinated Notes*", and is otherwise in compliance with the Indentures;
- in the case of a Guarantor that is released from its Guarantee pursuant to the terms of an Indenture, the release of the property and assets, and capital stock, of such Guarantor;
- the property and assets and shares of a restricted subsidiary designated as an unrestricted subsidiary in accordance with the applicable provisions of the Indentures;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indentures, as provided in "*—Defeasance*" and "*—Satisfaction and discharge*" under "*Description of the Senior Secured Notes*" and "*Description of the Senior Subordinated Notes*";
- in accordance with the New Intercreditor Agreement, or any additional intercreditor agreement;
- as described in the section "*—Amendments and waivers*" under "*Description of the Senior Secured Notes*" and "*Description of the Senior Subordinated Notes*".
- as permitted by the covenant described under "*Description of the Senior Secured Notes—Certain covenants—Impairment of Security Interest*" and "*Description of the Senior Subordinated Notes—Certain covenants—Impairment of Security Interest*" and as described in the sections "*Description of the Senior Secured Notes—Certain Covenants—Limitation on Liens*" and "*Description of the Senior Subordinated Notes—Certain Covenants—Limitation on Liens*" and as permitted in accordance with the Indentures;
- in connection with a transaction permitted by "*Description of the Senior Secured Notes—Certain Covenants—Merger and consolidation*" and by "*Description of the Senior Subordinated Notes—Certain Covenants—Merger and consolidation*" and in compliance with the Indentures;
- in connection with a Permitted Reorganization as described under "*Description of the Senior Secured Notes*" and under "*Description of the Senior Subordinated Notes*";
- upon payment in full of principal, interest and all other obligations of the Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in the sections entitled "*—Defeasance*" and "*—Satisfaction and discharge*" under "*Description of the Senior Secured Notes*" and "*Description of the Senior Subordinated Notes*"; and
- as otherwise permitted in accordance with the Indentures.

Under various circumstances, the Guarantees will be released automatically as described under "*Description of the Senior Secured Notes—Release*" and under "*Description of the Senior Subordinated Notes—Release*", including:

- upon a sale or other disposition (including by way of consolidation or merger) of the capital stock of the relevant Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor, if the sale or other disposition does not violate the covenant described below "*Description of the Senior Secured Notes—Certain covenants—Limitation on sales of assets and subsidiary stock*" and "*Description of the Senior Subordinated Notes—Certain covenants—Limitation on sales of assets and subsidiary stock*" and is otherwise in compliance with the relevant Indenture;
- upon the designation in accordance with the Indentures of the Guarantor as an unrestricted subsidiary;
- upon defeasance or discharge of the Notes, as provided in the sections entitled "*—Defeasance*" and "*—Satisfaction and discharge*" under "*Description of the Senior Secured Notes*" and "*Description of the Senior Subordinated Notes*";
- in accordance with the New Intercreditor Agreement or any additional intercreditor agreement;
- as described under "*Description of the Senior Secured Notes—Amendments and waivers*" and "*Description of the Senior Subordinated Notes—Amendments and waivers*";

- as described in the covenant described under "*Description of the Senior Secured Notes—Certain covenants—Additional Guarantees*" and "*Description of the Senior Subordinated Notes—Certain covenants—Additional Guarantees*";
- in connection with a transaction permitted by "*Description of the Senior Secured Notes—Certain Covenants—Merger and consolidation*" and by "*Description of the Senior Subordinated Notes—Certain Covenants—Merger and consolidation*" and in compliance with the Indentures;
- upon payment full and final payment and performance of all obligations of the Issuer under the Notes; and
- in connection with a Permitted Reorganization as described under "*Description of the Senior Secured Notes*" and "*Description of the Senior Subordinated Notes*".

Unless consented to, the New Intercreditor Agreement provides that the Security Agent shall not, while the Senior Subordinated Notes or any debt ranking *pari passu* with the Senior Subordinated Notes are outstanding or certain other classes of debt ranking junior to the Senior Subordinated Notes is outstanding, in an enforcement scenario, exercise its rights to release the security interests in the Collateral unless the relevant sale or disposal is made:

- for consideration, all or substantially all of which is in the form of cash; or
- pursuant to an auction or other competitive sale process, under the consultation of an internationally recognized investment bank or accountancy firm who shall (save in certain circumstances) opine on the consideration received by giving a fairness opinion.

*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 the euro, an investment in the Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which the investor measures the return on his or her investments because of economic, political and other factors which affect currency exchange rates over which we have no control. Depreciation of the euro against the currency by reference to which an investor measures the return on his or her 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 investor measures the return on his or her investments. Investments in the Notes, including by US holders (as defined in "*Certain tax considerations—Certain U.S. federal income tax considerations* ") who use the U.S. dollar as their functional currency may also have important tax consequences as a result of foreign exchange gains or losses, if any. Investors in the Notes should consult their tax advisors concerning the tax consequences of acquiring, owning or disposing of the Notes.

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

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

*Transfer of the Notes will be restricted, which may adversely affect the value of the Notes.*

Because the Notes have not or will not have been, and are not required to be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction, they may not be offered or sold in the United States except to QIBs in accordance with Rule 144A, in offshore transactions in accordance with Regulation S or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and all other applicable laws. These restrictions may limit the ability of investors to resell the Notes. It is the obligation of investors in the Notes to ensure that all offers

and sales of the Notes in the United States and other countries comply with applicable securities laws. For further information, see "*Transfer restrictions*".

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

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream.

Interests in the Global Notes (as defined under "*Book-entry; Delivery and Form*") will trade in book-entry form only, and Notes in definitive registered form, or Definitive Registered Notes (as defined under "*Book-entry; Delivery and Form*"), will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of Notes. The common depository, or its nominee, for Euroclear and Clearstream will be the sole registered holder of the Global Notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the Global Notes representing the Notes will be made to the 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 depository for Euroclear and Clearstream, the Issuer will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if investors own a book-entry interest, they must rely on the procedures of Euroclear and Clearstream, and if investors are not participants in Euroclear and Clearstream, they must rely on the procedures of the participant through which they own their interest, to exercise any rights and obligations of a holder of Notes under the Indentures.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if an investor owns 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. The procedures implemented for the granting of such proxies may not be sufficient to enable such investor to vote on a timely basis.

Similarly, upon the occurrence of an "Event of Default" under an Indenture, unless and until Definitive Registered Notes are issued in respect of all book-entry interests, if investors own book-entry interests, they will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes and the Indentures. See "*Book-entry; Delivery and Form*".

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

The Notes are new issues of securities for which there are currently no established trading markets. There can be no assurances as to:

- the number of holders of the Notes;
- the market for similar securities;
- the liquidity of any market in the Notes;
- your ability to sell the Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices of the Notes will depend on many factors, including, among others, prevailing interest rates, our operating results and the market for similar securities. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities. Historically, the market for non-investment-grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. There can be no assurances that the market, if any, for each series of the Notes will be free from similar disruptions and any such disruption may have a negative effect on you, as a holder of Notes, regardless of our prospects and financial performance. Therefore, there can be no assurances that you will be able to sell the Notes at a particular time or the price that you receive when you sell the Notes will be favorable. The Initial Purchasers have advised that they intend to make a market in each series of the Notes after completing this Offering. However, they have no obligation to do so and may discontinue market-making activities

at any time without notice. In addition, such market-making activity will be subject to limitations imposed by the U.S. Securities Act and other applicable laws and regulations. As a result, there may not be an active trading market for either series of the Notes. If no active trading market develops, you may not be able to resell your Notes at a fair value, if at all.

*The Notes may not become, or remain, listed Official List of Euronext Dublin.*

Although the Issuer will, in the Indentures, agree to use its commercially reasonable efforts to have the Notes listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market thereof after the Issue Date and to maintain such listing as long as the Notes are outstanding, there can be no assurances that the Notes will become, or remain listed. If the Issuer cannot maintain the listing on the Official List of the Euronext Dublin and the admission to trading on the Global Exchange Market or it becomes unduly burdensome to make or maintain such listing, the Issuer may cease to make or maintain such listing on the Official List of the Euronext Dublin, provided that the Issuer will use commercially reasonable efforts to obtain (prior to the delisting of the Notes, if applicable) and maintain the listing of the Notes on another stock exchange, although there can be no assurance that the Issuer will be able to do so. Although no assurance can be made as to the liquidity of the Notes as a result of listing on the Official List of the Euronext Dublin or another recognized listing exchange for comparable issuers in accordance with the Indentures, failure to be approved for listing or the delisting of the relevant Notes from the Official List of the Euronext Dublin or another listing exchange in accordance with the Indentures may have a material adverse effect on a holder's ability to resell Notes in the secondary market.

*The proposed financial transactions tax (FTT) may apply and impact dealings in the Notes.*

On February 14, 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (together, except for Estonia, the "Participating Member States") and which, if enacted and implemented by France, should replace the French FTT. Following the Economic and Financial Affairs Council (the "**ECOFIN**") meeting of December 8, 2015, Estonia officially announced its withdrawal from the negotiations and, on March 16, 2016, completed the formalities required to leave the enhanced cooperation on FTT. The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

At the ECOFIN meeting of June 14, 2019, a state of play of the work on the FTT was presented on the basis of a note prepared by Germany on June 7, 2019 indicating a consensus among the Participating Member States to continue negotiations on the basis of a joint French-German proposal based on the French financial transactions tax model which in principle would only concern shares of listed companies whose head office is in a Member State of the European Union. However, such proposal is still subject to change until a final approval.

The FTT proposal remains subject to negotiation between the Participating Member States, the scope of such tax being therefore uncertain. The timing of its implementation remains also unclear. Additional EU Member States may decide to participate and Participating Member States may decide to withdraw. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

*The Notes may be issued with original issue discount for US federal income tax purposes.*

The Notes may be issued with OID for US federal income tax purposes. In such event, holders subject to US federal income tax will generally be required to include such OID in gross income (as ordinary income) as it accrues (on a constant yield to maturity basis) for US federal income tax purposes in advance of the receipt of cash payments to which such OID is attributable and regardless of the holder's regular method of accounting for US federal income tax purposes. See "**Certain Tax Considerations—Certain U.S. Federal Income Tax Considerations—Original Issue Discount**".

#### **Risks related to the Senior Subordinated Notes**

*The Senior Subordinated Notes will be contractually subordinated in right of payment to any existing and future senior indebtedness of the Issuer, including the Issuer's obligations under the Senior Secured Notes, the New Revolving Credit Facility and certain hedging obligations, if any.*

The Senior Subordinated Notes will be the general senior subordinated obligation of the Issuer, and will:

- be contractually subordinated in right of payment to any existing or future senior indebtedness of the Issuer, including the Issuer's obligations under the Senior Secured Notes, the New Revolving Credit Facility and certain hedging obligations, if any;
- rank *pari passu* in right of payment with any existing or future indebtedness of the Issuer (other than senior indebtedness) that is not subordinated in right of payment to the Senior Subordinated Notes;
- be structurally subordinated to any existing or future indebtedness of the subsidiaries of the Issuer (other than subsidiaries that are or that become Guarantors), including obligations owed to trade creditors and bilateral facilities and, to the extent drawings are borrowed by such non-Guarantor subsidiaries, obligations under the New Revolving Credit Facility; and
- be effectively subordinated to any existing or future indebtedness of the Issuer that is secured by property or assets that do not secure the Senior Subordinated Notes or that secure the Senior Subordinated Notes on a lower priority basis, to the extent of the value of such property and assets, including the Collateral securing on a first-priority basis the Senior Secured Notes, the New Revolving Credit Facility and certain hedging obligations, if any.

The New Intercreditor Agreement contains significant restrictions with respect to payments on the Senior Subordinated Notes (including being subject to a blockage on payments upon the occurrence of certain events of default with respect to senior indebtedness). Until the liabilities of the lenders under the New Revolving Credit Facility, the holders of Senior Secured Notes and holders of other senior indebtedness are fully discharged or the relevant event of default with respect to the senior indebtedness has been remedied or waived, payments will not be permitted to be made in respect of the Senior Subordinated Notes until the expiration of the applicable payment blockage period (unless such parties otherwise consent thereto). In some circumstances, including in the case in which payments were received on the Senior Subordinated Notes in breach of the New Intercreditor Agreement, holders of Senior Subordinated Notes would be required to turn over such payments to the creditor representatives of senior creditors, including the lenders under the New Revolving Credit Facility and the Senior Secured Notes, for application in accordance with the waterfall provisions of the New Intercreditor Agreement. See "*The rights to enforce remedies with respect to the Collateral securing the Senior Subordinated Notes and the Senior Subordinated Notes Guarantees are limited as long as any senior secured debt is outstanding*".

Accordingly, upon any distribution to the creditors of the Issuer in liquidation, administration, bankruptcy, moratorium of payments, dissolution or other winding-up of the Issuer, the holders of Senior Subordinated Notes may receive less, ratably, than the holders of senior indebtedness of the Issuer, including the lenders under the New Revolving Credit Facility, certain hedging counterparties (if any) and holders of the Senior Secured Notes.

*Pursuant to the subordination provisions in the New Intercreditor Agreement, there is doubt as to the ability of holders of Senior Subordinated Notes to recover in relation to an enforcement action premised on the Senior Subordinated Guarantees.*

By virtue of the subordination provisions of the New Intercreditor Agreement, in the event that the Senior Subordinated Guarantees become subject to an enforcement action, it is likely that given the relative size of the existing and any future senior indebtedness of the Issuer, including the Issuer's obligations under the Senior Secured Notes, the New Revolving Credit Facility and certain hedging obligations, if any, compared to the aggregate amount of Senior Subordinated Notes outstanding as of the Issue Date and due to the limitations on the enforceability of the Guarantees under French law, payments to holders of the Senior Secured Notes or lenders under the New Revolving Credit Facility and certain hedging obligations, if any, would consume all amounts recoverable under the Senior Subordinated Guarantees, as the Senior Secured Notes, the New Revolving Credit Facility and certain hedging obligations, if any, must be discharged in full before claims under the Senior Subordinated Notes Indenture are repaid with proceeds from enforcement. As a result of the foregoing, the obligations of the several Guarantors under the Senior Subordinated Guarantees could be significantly less than amounts payable with respect to the Senior Subordinated Notes, and residual proceeds, if any, from enforcement of the Senior Subordinated Guarantee at any given time may be minimal. Investors should note the general limitations and exceptions to enforceability to the Senior Subordinated Guarantees imposed by French law discussed elsewhere in this Offering Memorandum. See "*Certain Insolvency Law Considerations*".

*and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests—France".*

*The Senior Subordinated Notes Indenture and New Intercreditor Agreement will contain provisions that subordinate our obligations under the Senior Subordinated Notes.*

Our obligations under the Senior Subordinated Notes and the Senior Subordinated Guarantees will be subordinated to the obligations of the Issuer and the Guarantors under certain senior indebtedness, including the Senior Secured Notes, the New Revolving Credit Facility and certain hedging obligations, if any. Holders of the Senior Subordinated Notes should recognize that contractual provisions in the Senior Subordinated Notes Indenture and New Intercreditor Agreement will subordinate the Senior Subordinated Notes (and related Senior Subordinated Guarantees) and rank them junior in right of payment, to the extent and in the manner stated in the Senior Subordinated Notes Indenture, to any existing and future designated senior indebtedness of the Issuer and the Guarantors, including the Issuer's and the Guarantors' obligations under the Senior Secured Notes, the New Revolving Credit Facility and certain hedging obligations, if any. As a result of the foregoing, it is likely that holders of existing and future senior indebtedness of the Issuer and the Guarantors would recover disproportionately more than the holders of the Senior Subordinated Notes in any insolvency or similar proceeding. For additional information regarding the subordination provisions applicable to the Senior Subordinated Notes Indenture, see *"Description of the Senior Subordinated Notes—New Intercreditor Agreement—Subordination"*.

*The Senior Subordinated Notes will benefit from second-priority security over the Collateral and be effectively subordinated to our existing and future senior indebtedness that is secured over assets other than the Collateral.*

The Senior Subordinated Notes will benefit from second-priority security interests over the Collateral, as further described under *"Description of the Senior Subordinated Notes—Security"*. In contrast, the Senior Secured Notes and the Senior Secured Notes Guarantees will be secured on a first-priority basis over the Collateral, as further described under *"Description of the Senior Secured Notes—Security"*, along with obligations under the New Revolving Credit Facility Agreement and, if any, certain hedging obligations and certain other future Indebtedness obligations.

The Senior Subordinated Notes Indenture will allow the Issuer and its restricted subsidiaries to incur debt that can be secured by the Collateral on a first-priority basis and by assets that do not constitute Collateral, each of which will be effectively senior to the Senior Subordinated Notes. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, administration, reorganization, or other insolvency or bankruptcy proceeding, holders of such secured debt will have a prior claim to those of our assets that constitute their collateral. In these circumstances, we cannot assure you that there will be sufficient assets to pay amounts due on the Senior Subordinated Notes. As a result, holders of Senior Subordinated Notes may receive less, ratably, than holders of such secured debt. As of January 31, 2021, after giving *pro forma* effect to the Transactions, we would have had (i) €445.0 million of indebtedness and commitments secured on the Collateral on a first-priority basis, consisting of the Senior Secured Notes and commitments under the New Revolving Credit Facility and (ii) €75.0 million of indebtedness secured on the Collateral on a second-priority basis, consisting of the Senior Subordinated Notes.

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

The Senior Secured Notes and the Senior Secured Notes Guarantees will be secured on a first-priority basis by security interests over the Collateral along with obligations under the New Revolving Credit Facility Agreement and, if any, certain hedging obligations and certain other future Indebtedness obligations. The Senior Subordinated Notes and the Senior Subordinated Notes Guarantees will be secured on a second-priority basis by the Collateral. As such, the security interests in all of the Collateral securing the Senior Subordinated Notes and each Senior Subordinated Notes Guarantee will rank behind the first-priority security interests in such Collateral in favor of the creditors under the Senior Secured Notes Indenture, the New Revolving Credit Facility, certain hedging obligations, if any, and any indebtedness that is permitted to be incurred and secured by the Collateral and that is permitted to rank *pari passu* with the Senior Secured Notes Indenture and the New Revolving Credit Facility, as well as in favor of institutions with whom we may enter into certain hedging arrangements ("senior debt"). The New Intercreditor Agreement provides that a common security agent will serve as the Security Agent for the secured parties under the Senior Secured Notes Indenture, the Senior Subordinated

Notes Indenture, the New Revolving Credit Facility and certain hedging arrangements and will (subject to certain limited exceptions) act with respect to such Collateral only at the direction of the relevant instructing group until amounts outstanding are paid in full and discharged. Until the expiration of a standstill period on enforcement of such security on behalf of holders of the Senior Subordinated Notes, secured parties under the Senior Secured Notes Indenture, the New Revolving Credit Facility and institutions who are counterparties to certain of our hedging arrangements will have (subject to certain limited exceptions) the exclusive right to make all decisions with respect to the enforcement of remedies relating to such Collateral. See "*Description of Certain Other Indebtedness—New Intercreditor Agreement*".

As a result, the holders of the Senior Subordinated Notes will not be able to force a sale of such structural security, or otherwise independently pursue the remedies of a secured creditor under the relevant security documents, until the expiration of the applicable standstill period for so long as any amounts under the Senior Secured Notes, the New Revolving Credit Facility and certain of our hedging arrangements remain outstanding. The creditors under the Senior Secured Notes Indenture, the New Revolving Credit Facility and the institutions who are counterparties to certain of our hedging arrangements may have interests that are different from the interests of holders of the Senior Subordinated Notes, and they may elect to pursue their remedies under the Security Documents at a time when it would be disadvantageous for the holders of the Senior Subordinated Notes to do so. This may affect the ability of holders of the Senior Subordinated Notes to recover under the Collateral if the proceeds from the Collateral, after having satisfied obligations under the Senior Secured Notes Indenture, the New Revolving Credit Facility and certain of our hedging arrangements are less than the aggregate amount outstanding under the Senior Subordinated Notes.

In addition, if the creditors or the agent under the Senior Secured Notes Indenture, the New Revolving Credit Facility or certain hedging arrangements sell the shares of a group company through an enforcement of their first-priority security interest, in accordance with the terms of the New Intercreditor Agreement, the Senior Subordinated Notes Guarantee and the liens over any other assets securing the Senior Subordinated Notes and the Senior Subordinated Notes Guarantee may be released. See "*Description of Certain Other Indebtedness—New Intercreditor Agreement*" and "*Description of Senior Subordinated Notes—Security—Release of Liens*".

We may also issue further indebtedness which will be entitled to rank *pari passu* with or senior to the Senior Subordinated Notes in right and priority of payment and which will be entitled to share in the Collateral with the Senior Subordinated Notes on a *pari passu* or senior-ranking basis. In the event that any such debt is issued, the creditor voting rights of holders of the Senior Subordinated Notes will be diluted proportionately to the amount of debt incurred, as voting under the New Intercreditor Agreement is across the class of creditors.

*The ability of holders of Senior Subordinated Notes to recover under the Collateral may be limited.*

The obligations under the Senior Subordinated Notes and the Senior Subordinated Notes Guarantee will be secured by security interests granted on a second priority basis over the Collateral, as described under "*Description of the Senior Subordinated Notes—Security*". First-priority security interests in such assets will be granted for the benefit of creditors under Senior Secured Notes Indenture, the New Revolving Credit Facility and certain of our hedging arrangements. First-priority security interests over the same collateral may also be granted to indebtedness incurred in the future. Holders of the Senior Subordinated Notes may not be able to recover on the Collateral because the creditors under the Senior Secured Notes, the New Revolving Credit Facility and certain of our hedging arrangements will have a prior claim on all proceeds realized from any enforcement of such Collateral and any distressed disposal with respect to such Collateral, and the Senior Subordinated Notes will need to share any remaining proceeds from such enforcement with any other secured creditor ranking *pari passu* with the Senior Subordinated Notes. If the proceeds realized from the enforcement of such pledges or such sale or sales exceed the amount owed under the Senior Secured Notes, the New Revolving Credit Facility and certain of our hedging arrangements, any excess amount of such proceeds will be paid to the Senior Subordinated Notes Trustee on behalf of itself and the holders of the Senior Subordinated Notes. If there are no excess proceeds, or if the amount of such excess proceeds is less than the aggregate amount of the obligations under the Senior Subordinated Notes, the holders of Senior Subordinated Notes will not fully recover (if at all) under such Collateral.

In addition, Collateral may not be liquid, and its value to other parties may be less than its value to us. Likewise, there can be no assurances that there will be a market for the Collateral or that, if such market does exist, there will not be substantial delays in its liquidation. The shares pledges of the Collateral

may also have limited value in the event of a bankruptcy, insolvency or other similar proceeding in relation to any entity, the shares of which have been pledged as part of the Collateral. As a result, the holders of the Senior Subordinated Notes may not recover anything of value in the case of an enforcement sale of shares pledged. In addition, the value of the Collateral may fluctuate over time.

Pursuant to the New Intercreditor Agreement, the Senior Subordinated Notes Trustee and holders of the Senior Subordinated Notes will (subject to certain limited exceptions) not be able to force a sale of the Collateral securing the Senior Subordinated Notes or otherwise independently pursue the remedies of a secured creditor under the Security Documents relating to such for so long as any amounts under the Senior Secured Notes, the New Revolving Credit Facility, certain of our hedging arrangements or any future secured indebtedness, if any, remain outstanding and, if the creditors under the Senior Secured Notes, the New Revolving Credit Facility or certain of our hedging arrangements enforce their security, they will have priority over the holders of the Senior Subordinated Notes with respect to the proceeds from the Collateral. As such, holders of the Senior Subordinated Notes may not be able to recover on the Collateral if the claims of the creditors under the Senior Secured Notes, the New Revolving Credit Facility or certain of our hedging arrangements, if any, are greater than the proceeds realized from any enforcement of the Collateral. In addition, if the creditors or the agent or the Security Agent under the Senior Secured Notes or the New Revolving Credit Facility direct the sale of shares pledged as part of the Collateral through an enforcement of their first priority security interest in accordance with the New Intercreditor Agreement, the second priority security interest over such shares securing the Senior Subordinated Notes and the Senior Subordinated Notes Guarantee may (subject to certain conditions) be automatically released. See "*Description of Certain Other Indebtedness—New Intercreditor Agreement*" and "*Description of Senior Subordinated Notes—Security—Release of Liens*".

#### *Recognition of intercreditor arrangements by French courts*

There is no law or published decision of the French courts of appeal or of the French Supreme Court (*Cour de cassation*) on the validity or enforceability of the obligations of an agreement such as the New Intercreditor Agreement, except for Articles L. 626-30-2 and L. 631-19 of the French Commercial Code pursuant to which, in the context of safeguard or judicial reorganization proceedings, the safeguard or reorganization plan which is put to the vote of the creditors' committees takes into consideration (*prend en compte*) the provisions of subordination agreements between creditors which were entered into prior to the commencement of the safeguard, or judicial reorganization, proceedings. As a consequence, except to the extent referred to above (which, as of the date of this Offering Memorandum, has received no judicial interpretation), we cannot rule out that a French court would not give effect to certain provisions of the New Intercreditor Agreement.

#### *The validity of second or lower ranking pledges may not be recognized by French courts.*

The New Intercreditor Agreement provides for a mechanism allowing the implementation of second or lower ranking pledges over financial securities accounts.

To our knowledge, French courts have never expressly recognized the concept of second (or lower) ranking pledge in respect of a financial securities account and, if article 2340 of the French Civil Code does recognize the possibility to create multiple pledges in respect of the same tangible asset, this article is not expressly stated to apply to pledges over financial securities account. In addition, a pledge over securities accounts is deemed, under French law, to remove the securities account from the possession of the grantor, thereby preventing such grantor from granting a second or lower ranking pledge thereon. The second or lower ranking pledge over the shares of such a company will therefore provide that the possession of the securities account is transferred to the custody of an agreed third party as "*tiers convenu*" (*entiercement*), that the first ranking and second or lower ranking secured parties have consented to the creation of second or lower ranking pledge and that the first ranking secured parties have accepted their appointment as *tiers convenu* and hold the pledged securities as custodian for the benefit of both the first ranking and the second or lower ranking secured parties. This structure has not been tested before the French courts and no assurance can be given that such second or lower ranking pledges would be upheld if tested. Therefore, there is a risk that the second or lower ranking pledge over the securities account in which the shares of such company are respectively registered may be held void or unenforceable by a French court, which in turn could materially adversely affect the recovery under the Senior Subordinated Notes or Senior Subordinated Notes Guarantees (as applicable) following an enforcement event.



*Assumptions as to the enforceability of second ranking bank accounts pledges*

The pledges over the bank accounts are governed by French law. In France, no lien searches are available for security interests which are not registered, such as pledges over bank accounts. As a result, no assurance can be given on the priority of the pledges over the relevant bank accounts of a company.

Although French law does not expressly prohibit the grantor of a pledge over a bank account from granting a second ranking pledge over the same bank account, this structure has not been tested before the French courts and no assurances can be given that such second ranking pledges would be upheld if tested.

In addition, although French law does not expressly prohibit the grantor of a pledge over a bank account from granting a second ranking pledge over the same bank account, this structure has not been tested before the French courts and no assurances can be given that such second ranking pledges would be upheld if tested.

*Enforcement actions with respect to the Senior Subordinated Notes are subject to a standstill period.*

Under the terms of the New Intercreditor Agreement, no enforcement action with respect to the Senior Subordinated Notes may be taken unless (subject to certain limited exceptions): (i) any enforcement action has been taken with respect to debt ranking senior to the Senior Subordinated Notes (provided the Trustee and holders of the Senior Subordinated Notes will be limited to taking the same action); (ii) an insolvency event has occurred with respect to the Issuer or Guarantor (to the extent such event has not occurred solely as a result of any action taken by the Senior Subordinated Notes Trustee or holders of the Senior Subordinated Notes); (iii) there is a default on the Senior Subordinated Notes outstanding after a period of 179 days from the date the agent or Senior Subordinated Notes Trustee with respect to senior debt received written notice of such default; (iv) a default has occurred resulting from a failure to pay principal on the Senior Subordinated Notes at maturity or (v) each agent with respect to outstanding senior debt and the Senior Subordinated Notes Trustee has given its consent to the proposed action. See "*Description of Certain Other Indebtedness—New Intercreditor Agreement—Senior Subordinated Notes Standstill Period*".

*A large part of our indebtedness bears interest at a variable rate, which could rise significantly, increasing our costs and reducing our cash flow, or could otherwise be adverse to the interests of the holders of the Notes.*

We are, and following the Offering will continue to be, exposed to the risks of fluctuations in interest rates. A significant portion of our current debt is subject to variable interest rates indexed to Euro Interbank Offered Rate ("**EURIBOR**"). Following the Offering, a significant portion of our debt, including under the Senior Subordinated Notes and the New Revolving Credit Facility, will be subject to variable interest rates indexed to EURIBOR. We may also enter into additional indebtedness bearing floating rates of interest in the future, including by issuing additional Senior Subordinated Notes. EURIBOR, LIBOR and/or any other floating interest rate index applicable to such indebtedness could rise significantly in the future.

To the extent that interest rates were to increase significantly, our interest expense would correspondingly increase to the extent of the drawings under, or issuances of, such debt bearing floating rates of interest, thereby reducing our cash flow. We may enter into certain interest rate hedging obligations designed to fix a portion of these rates but are not required to do so. In addition, there can be no assurance that hedging will be available on commercially reasonable terms or, if available, will be successful in mitigating the risks related to increasing interest rates. See "*Description of Certain Other Indebtedness*".

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 EURIBOR or LIBOR may have been manipulating or attempting to manipulate EURIBOR and LIBOR. As a result, EURIBOR, LIBOR and other interest rates are indices which are deemed to be "benchmarks" are the subject of recent and ongoing national, international and other regulatory guidance and proposals for reform, including the implementation of the IOSCO Principles for Financial Market Benchmarks (July 2013) and Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**") which was published in the Official Journal of the EU on June 29, 2016, and applies since January 1, 2018. Some of these reforms are already effective while others are still to be implemented. The Benchmarks Regulation applies to

the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. It will, among other things (i) require benchmark administrators to be authorized or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognized or endorsed) and (ii) prevent certain uses by EU supervised entities of benchmarks of administrators that are not authorized or registered (or, if non-EU based, not deemed equivalent or recognized or endorsed).

These reforms, including the Benchmarks Regulation, may cause such benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on our debt linked to such a benchmark, including the Senior Subordinated Notes and our New Revolving Credit Facility, in particular, if the methodology or other terms of the EURIBOR benchmark are changed in order to comply with the requirements of the Benchmarks Regulation, such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the EURIBOR benchmark. In addition, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark, including EURIBOR and LIBOR, and complying with any such regulations or requirements.

Such factors may have the following effects on certain benchmarks such as EURIBOR: discourage market participants from continuing to administer or contribute to such benchmark; trigger changes in the rules or methodologies used in the benchmarks, or (iii) lead to the disappearance of the benchmark. On July 27, 2017, and in subsequent speeches (including the speech by its chief executive on July 12, 2018) the UK 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 Announcements**"). The FCA Announcements indicate that the continuation of LIBOR on the current basis, or at all, cannot and will not be guaranteed 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 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 of the above changes or any other consequential changes as a result of international, national or other proposals for reform or other initiatives or investigations, as well as manipulative practices or the cessation thereof, may result in a sudden or prolonged increase in reported LIBOR, which could have a material adverse effect on the value of and return on any floating rate debt linked to LIBOR and on our ability to service debt that bears interest at floating rates of interest.

Any elimination of the EURIBOR benchmark, or changes in the manner of administration of EURIBOR, could require an adjustment to the terms and conditions of our floating rate debt (including the Senior Subordinated Notes and the New Revolving Credit Facility) or hedging. Any such adjustment, 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. Any such consequence could have a material adverse impact on the value of and return on our floating rate debt (including the Senior Subordinated Notes and our New Revolving Credit Facility). In addition, the development of alternatives to EURIBOR or LIBOR may result in our floating rate debt (including the Senior Subordinated Notes and our New Revolving Credit Facility) performing differently than would otherwise have been the case if the alternatives to EURIBOR or LIBOR had not developed.

The Senior Subordinated Notes Indenture will provide a mechanism whereby, if (1) there has been a material disruption to EURIBOR, (2) EURIBOR is not available for use temporarily, indefinitely or permanently, (3) there are restrictions or prohibitions on the use of EURIBOR, (4) an alternative rate has replaced EURIBOR in customary market practice in the international capital markets applicable generally to floating rate notes or (5) it has become unlawful for the Calculation Agent, the Issuer or a third-party agent of the Issuer to calculate any payments due to holders of the Senior Subordinated Notes using EURIBOR, (a) an independent financial institution of international standing or an independent financial adviser of recognized standing (that is not an affiliate of the Issuer) as appointed by the Issuer at the expense of the Issuer or (b) if it is not reasonably practicable to appoint a party as referred to under (a), the Issuer, acting in good faith and in a commercially reasonable manner, shall select a successor rate to EURIBOR that is substantially comparable to EURIBOR or that has been recommended or selected by the relevant monetary authority or similar authority (or working group thereof) or by a widely recognized industry association or body or that is expected to develop as an industry accepted rate for debt market instruments such as or comparable to the Senior Subordinated

Notes (and any applicable adjustment spread required to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to holders of the Senior Subordinated Notes as a result of the replacement of EURIBOR for use in calculating the appropriate successor rate, which upon certification (by way of an officer's certificate) by the Issuer of such rate to each of the Senior Subordinated Notes Trustee, the Calculation Agent and the Paying Agent will be used to calculate the interest rate in relation to the Senior Subordinated Notes (upon which each of the Senior Subordinated Notes Trustee, the Calculation Agent and the Paying Agent shall be entitled to rely conclusively and absolutely without further enquiry, investigation, verification or liability of any kind whatsoever) without any further action or consent by the noteholders or the Senior Subordinated Notes Trustee. This means that interest on the Senior Subordinated Notes would be determined on the basis of a benchmark rate, together with adjustments, that was not contemplated at the time you purchased the Senior Subordinated Notes issued on the Issue Date. See "*Description of the Senior Subordinated Notes—Principal, Maturity and Interest*". The Senior Subordinated Notes Indenture may require the exercise of discretion by the Issuer and the making of potentially subjective judgments (including as to the occurrence or not of any events which may trigger amendments to the Senior Subordinated Notes Indenture) without the consent of the holders of such Senior Subordinated Notes. The interests of the Issuer in making such determinations or amendments may be adverse to the interests of the holders of the Senior Subordinated Notes.

In addition, due to the uncertainty concerning the availability of an appropriate successor rate and the involvement of an independent financial institution, the Senior Subordinated Notes Indenture's successor rate mechanism may not operate as intended at the relevant time. If EURIBOR were discontinued or otherwise unavailable, the rate of interest on our floating rate debt (including the Senior Subordinated Notes and our New Revolving Credit Facility) will be determined for the relevant period by the fallback provisions applicable to such debt.

## Use of Proceeds

The gross proceeds from the Offering will amount to €485.0 million. We intend to use the gross proceeds from the Offering, along with approximately €106.0 million of cash from our balance sheet, to (i) redeem and repay in full the Existing Notes, (ii) to repay in full the PGE Loans, (iii) make the Shareholder Bond Reimbursement and (iv) pay commissions, fees and expenses incurred in connection with the Transactions (including estimated fees, expenses and redemption costs to be incurred in connection with the Offering). See "*Summary—The Transactions*".

The estimated sources and uses of funds related to the Offering are shown in the table below. Actual amounts may vary from estimated amounts depending on several factors, including the actual date on which the Issue Date occurs, the actual cash of the Issuer as of the Issue Date and the commissions, fees and expenses incurred in connection with the Offering. The table below should be read in conjunction with "*Capitalization*".

Sources of Funds		Uses of Funds	
(in € millions)			
Senior Secured Notes offered hereby <sup>(1)</sup> ...	410.0	Refinancing of Existing Notes <sup>(4)(5)</sup> .....	415.0
		Repayment of PGE Loans <sup>(6)</sup> .....	30.0
Senior Subordinated Notes offered hereby <sup>(2)</sup> .....	75.0	Shareholder Bond Reimbursement <sup>(7)</sup> .....	135.0
Cash on balance sheet <sup>(3)</sup> .....	106.0	Estimated fees, expenses and redemption costs related to the Transactions <sup>(8)</sup> .....	11.0
<b>Total sources</b> .....	<b>591.0</b>	<b>Total uses</b> .....	<b>591.0</b>

- (1) Represents proceeds from the issuance of the Senior Secured Notes, assuming an issuance at par.
- (2) Represents proceeds from the issuance of the Senior Subordinated Notes, assuming an issuance at par.
- (3) Represents €106.0 million of cash on the balance sheet of the Issuer used to repay the PGE Loans and make the Shareholder Bond Reimbursement.
- (4) Represents €250.0 million in aggregate principal amount of the Existing Fixed Rate Notes.
- (5) Represents €165.0 million in aggregate principal amount of the Existing Floating Rate Notes.
- (6) Represents the repayment in full and cancellation of the PGE Loans for a total of €30.0 million.
- (7) Represents the partial repayment, on the Issue Date by the Issuer to the holders of the Shareholder Bonds, of a portion of the Shareholder Bonds for a total of €135.0 million.
- (8) Includes redemption costs associated with the redemption of the Existing Fixed Rate Notes at a redemption price of 101%, accrued and unpaid interest on the Existing Fixed Rate Notes that accrued between April 1, 2021 to, but excluding, the redemption date of €                      million and accrued and unpaid interest on such Existing Floating Rate Notes to be redeemed that accrued between April 1, 2021 to, but excluding, the redemption date of €                      million.

## Capitalization

The following table sets forth (i) the cash and cash equivalents and the consolidated capitalization of the Issuer and its subsidiaries as of January 31, 2021 and (ii) an estimated cash and cash equivalents position of the Issuer and the consolidated capitalization of the Issuer and its subsidiaries as of the Issue Date, as adjusted to give effect to the Transactions as though such Transactions had occurred on January 31, 2021. The as adjusted financial data has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act, the Prospectus Directive or any generally accepted accounting standards. The adjusted financial data has not been audited or reviewed in accordance with any generally accepted auditing standards.

The historical information has been derived from the Issuer's unaudited interim condensed consolidated financial statements as of and for the six months ended January 31, 2021, which are included elsewhere in this Offering Memorandum. The "Other debt" line item in the as adjusted column relating to the Issuer is derived from debt amounts estimated to be outstanding as of the date hereof.

All amounts shown herein for indebtedness are aggregate principal amount only, excluding accrued interest and the effect of capitalized debt issuance costs, as applicable, unless otherwise indicated.

The information set out below should be read in conjunction with "Use of Proceeds", "Summary Historical Consolidated Financial Information and Other Data", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Description of Certain Other Indebtedness and Other Arrangements" and the Issuer's financial statements and the accompanying notes, which are included elsewhere in this Offering Memorandum. The Existing Revolving Credit Facility is not presented in the table below as there were no drawdowns thereunder.

(in € millions)	As of January 31, 2021 Historical	As adjusted for the Transactions
<b>Cash and cash equivalents<sup>(1)</sup></b> .....	<b>117.4</b>	<b>11.4</b>
<b>Debt</b>		
PGE Loans .....	30.0	-
Senior Secured Notes offered hereby .....	-	410.0
Existing Notes .....	415.0	-
Accrued interest .....	3.9	-
<b>Gross senior secured third-party debt<sup>(2)</sup></b> .....	<b>448.9</b>	<b>410.0</b>
<b>Net senior secured third-party debt<sup>(2)(3)</sup></b> .....	<b>331.5</b>	<b>398.6</b>
Senior Subordinated Notes offered hereby .....	-	75.0
IFRS 16 lease debt net of subleases .....	67.7	67.7
<b>Gross third-party debt<sup>(4)</sup></b> .....	<b>516.6</b>	<b>552.7</b>
<b>Net third-party debt<sup>(3)(4)</sup></b> .....	<b>399.2</b>	<b>541.3</b>
Share capital .....	231.5	231.5
Shareholder bonds <sup>(2)(5)</sup> .....	299.9	174.6
<b>Total capitalization<sup>(6)</sup></b> .....	<b>1,048.0</b>	<b>958.7</b>

(1) The as adjusted cash and cash equivalents reflects the estimated cash and cash equivalent position of the Issuer of €117.4 million as of January 31, 2021 less €106.0 million of cash used in connection with the Transactions.

(2) Includes accrued interest.

(3) Net senior secured third party debt and net third-party debt are respectively gross senior secured third-party debt and gross third-party debt, net of cash and cash equivalents.

(4) Includes accrued interest, other than for IFRS 16 lease debt net of subleases.

(5) Shareholder bonds are presented at their nominal value including capitalized and accrued interests as of January 31, 2021 and after the Shareholder Bond Repayment and interest accrued up to the Issue Date.

(6) Total capitalization is defined as gross third-party debt plus share capital plus the Shareholder Bonds (including accrued interest).

## Selected Historical Financial Data

The following tables present selected historical consolidated financial information of the Issuer as well as certain operating data. The selected historical consolidated financial information in the tables below is derived from the Issuer's audited consolidated financial statements for the fiscal years ended July 31, 2018, 2019 and 2020 prepared in accordance with IFRS and from the Issuer's unaudited interim condensed consolidated financial statements for the six months ended January 31, 2021, which include the unaudited comparative financial information for the six months ended January 31, 2020, prepared in accordance with IAS 34, the standard of IFRS as adopted by the European Union applicable to interim financial statements included elsewhere in this Offering Memorandum.

The Issuer's audited consolidated financial statements for the fiscal year ended July 31, 2018 were subject to an audit by Ernst & Young et Autres and Constantin Associés (member of Deloitte Touche Tohmatsu Limited), the Issuer's statutory auditors for the fiscal year ended July 31, 2018. The Issuer's audited consolidated financial statements for the fiscal years ended July 31, 2019 and 2020 were subject to an audit by Ernst & Young et Autres and Deloitte & Associés, the Issuer's statutory auditors for those years. The Issuer's unaudited interim condensed consolidated financial statements for the six months ended January 31, 2021, which include the unaudited comparative financial information for the six months ended January 31, 2020, were subject to a limited review by Ernst & Young et Autres and Deloitte & Associés, the Issuer's statutory auditors for such period. For the consolidated financial statements of the Issuer for the fiscal years ended July 31, 2018, 2019 and 2020, an English translation of the consolidated financial statements and a free English translation of the auditors' reports are included elsewhere in this Offering Memorandum. For the unaudited interim condensed consolidated financial statements for the six months ended January 31, 2021, the unaudited interim condensed consolidated financial statements and the related auditor's report are included elsewhere in this Offering Memorandum.

The statutory auditors' report of Constantin Associés (member of Deloitte Touche Tohmatsu Limited) and Ernst & Young et Autres on the audited consolidated financial statements for the fiscal year ended July 31, 2018, without modifying the audit opinion expressed therein, contains an emphasis of matter relating to Note 3.1 to the consolidated financial statements relating to the impact of the revenue recognition standard, IFRS 15, "Revenue from contracts with customers", adopted early by the Issuer as of August 1, 2017. The statutory auditors' report of Ernst & Young et Autres and Deloitte & Associés on the audited consolidated financial statements for the fiscal year ended July 31, 2019, without modifying the audit opinion expressed therein, contains an emphasis of matter drawing attention to the uncertainty related to the tax adjustments received from the tax authorities concerning tax loss carryforwards described in note 6.6.3 "Notifications, lawsuits and disputes" to the consolidated financial statements. The statutory auditors' report of Ernst & Young et Autres and Deloitte & Associés on the audited consolidated financial statements for the fiscal year ended July 31, 2020, without modifying the audit opinion expressed therein, contains emphases of matter drawing attention to the matters disclosed in note 4.1.1 "standards, amendments and interpretations as of August 1, 2019" to the consolidated financial statements relating to the impact of the mandatory implementation of IFRS 16 "Leases" by August 1, 2019 and note 6.6.3 "Notification, lawsuits and disputes" to the consolidated financial statements which present the uncertainty related to the tax adjustments received from the tax authorities concerning tax loss carryforwards. The review report of Ernst & Young et Autres and Deloitte & Associés on the unaudited interim condensed consolidated financial statements for the six months ended January 31, 2021, without modifying the conclusion expressed therein, contains an emphasis of matter drawing attention to the matter disclosed in note 6.3.2, which describes lawsuits, disputes and related uncertainties.

In the course of the fiscal year ended July 31, 2018, due to the disappointing performance of the Optimil discount banner in Spain and the difficulties encountered in implementing the various components of the franchisor's offer in the store network of the Optimil banner, we decided to initiate the sale of the Optimil banner and focus on the development of the Alain Afflelou banner in Spain. Negotiations for a potential sale of our subsidiary managing the Optimil banner started in early 2018 and the disposal was completed at the end of October 2018. As a consequence, our discount banner activities in Spain were treated as discontinued operations in the income statement of our audited consolidated financial statements for fiscal years ended July 31, 2018, 2019 and 2020. However, the Optimil activities were not treated as discontinued operations in our consolidated statement of cash flows for either period.

The following tables should be read in conjunction with the information contained in "*Presentation of Financial and Other Information*", "*Use of Proceeds*", "*Capitalization*", "*Management's Discussion and*

"Analysis of Financial Condition and Results of Operations" and the Issuer's consolidated financial statements and related notes included elsewhere in this Offering Memorandum.

### Consolidated income statement information

(in € millions)	For the fiscal year ended July 31,				For the six months ended January 31,	
	2018	2019	2020 (pre-IFRS 16)	2020 (post-IFRS 16)	2020	2021
<b>Revenue</b> .....	<b>380.3</b>	<b>373.0</b>	<b>309.2</b>	<b>309.2</b>	<b>172.3</b>	<b>184.5</b>
Cost of purchases .....	(201.2)	(190.7)	(160.7)	(160.7)	(84.0)	(92.3)
Wages and salaries including social security contributions .....	(57.4)	(55.8)	(54.1)	(54.1)	(28.5)	(29.3)
Other purchases and external expenses.....	(41.0)	(41.1)	(39.3)	(24.4)	(11.9)	(11.2)
Duties and taxes other than income tax .....	(2.5)	(2.2)	(2.3)	(2.3)	(1.1)	(1.2)
Depreciation, amortization and impairment .....	(12.4)	(9.7)	(5.2)	(17.9)	(10.4)	(10.8)
<b>Operating income from ordinary activities</b> .....	<b>65.8</b>	<b>73.4</b>	<b>47.7</b>	<b>49.9</b>	<b>36.4</b>	<b>39.8</b>
Other non-recurring operating items .....	(13.5)	(8.7)	(1.8)	(1.8)	(0.1)	(3.0)
<b>Operating profit</b> .....	<b>52.3</b>	<b>64.9</b>	<b>45.9</b>	<b>48.1</b>	<b>36.5</b>	<b>36.8</b>
Financial income/(expense) .....	3.3	2.2	2.7	3.8	1.1	1.0
Borrowing costs .....	(74.4)	(53.9)	(54.1)	(58.0)	(28.3)	(31.7)
Other financial expense .....	(2.9)	(3.8)	(3.6)	(3.6)	(1.6)	(1.4)
<b>Net financial income/(expense)</b> .....	<b>(73.9)</b>	<b>(55.4)</b>	<b>(55.0)</b>	<b>(57.8)</b>	<b>(28.7)</b>	<b>(32.1)</b>
<b>Net (loss)/income before tax of consolidated companies</b> .	<b>(21.6)</b>	<b>9.4</b>	<b>(9.1)</b>	<b>(9.6)</b>	<b>7.8</b>	<b>4.6</b>
Tax income/(expense) .....	(3.7)	(3.6)	(2.7)	(2.7)	(2.1)	(2.1)
Deferred tax .....	19.7	2.1	1.5	1.6	-	(0.3)
<b>Tax income/(expense)</b> .....	<b>16.0</b>	<b>(1.4)</b>	<b>(1.2)</b>	<b>(1.1)</b>	<b>(2.1)</b>	<b>(2.4)</b>
<b>Net (loss)/income from continuing operations</b> .....	<b>(5.6)</b>	<b>8.0</b>	<b>(10.3)</b>	<b>(10.7)</b>	<b>5.7</b>	<b>2.2</b>
Net (loss)/income from discontinued operations .....	(2.4)	(1.2)	0.1	0.1	-	0.4
<b>Net (loss)/income</b> .....	<b>(8.0)</b>	<b>6.8</b>	<b>(10.1)</b>	<b>(10.5)</b>	<b>5.7</b>	<b>2.6</b>

- (1) In the course of the fiscal year ended July 31, 2018, due to the disappointing performance of the Optimil discount banner in Spain and the difficulties encountered in implementing the various components of the franchisor's offer in the store network of the Optimil banner, we decided to initiate the sale of the Optimil banner and focus on the development of the Alain Afflelou banner in Spain. Negotiations for a potential sale of our subsidiary managing the Optimil banner started in early 2018 and the disposal was completed at the end of October 2018. As a consequence, our discount banner activities in Spain were treated as discontinued operations in the income statement of our audited consolidated financial statements for fiscal years ended July 31, 2018, 2019 and 2020. However, the Optimil activities were not treated as discontinued operations in our consolidated statement of cash flows for either period.

## Condensed consolidated statement of financial position information

	For the fiscal year ended July 31,			For the six months ended January 31,
(in € millions)	2018	2019	2020	2021
<b>Assets</b>				
Goodwill .....	171.5	171.4	213.3	212.6
Trademarks .....	657.6	657.1	657.1	657.1
Intangible assets .....	57.9	60.6	9.3	11.2
Property, plant and equipment .....	19.3	17.0	20.4	21.7
Right-of-use assets .....	-	-	61.1	64.1
Other financial assets .....	13.5	13.2	14.3	15.5
Long-term sublease receivables .....	-	-	16.1	15.6
Deferred tax assets .....	2.8	2.5	7.1	2.3
<b>Non-current assets</b> .....	<b>922.8</b>	<b>921.8</b>	<b>998.8</b>	<b>999.9</b>
Inventories .....	28.2	27.9	27.1	28.0
Trade receivables .....	69.8	60.7	74.3	66.2
Other current assets .....	94.3	82.7	86.7	75.2
Short-term sublease receivables .....	-	-	3.1	3.0
Cash and cash equivalents .....	37.6	35.7	76.9	117.4
Assets held for sale .....	2.0	-	-	-
<b>Current assets</b> .....	<b>231.8</b>	<b>207.0</b>	<b>268.2</b>	<b>289.8</b>
<b>Total assets</b> .....	<b>1,154.7</b>	<b>1,128.8</b>	<b>1,267.0</b>	<b>1,289.7</b>
<b>Equity and liabilities</b>				
Share capital .....	233.5	233.5	231.5	231.5
Other reserves .....	10.9	(4.3)	(3.3)	(13.9)
Net income for the period .....	(8.0)	6.8	(10.5)	2.6
Other comprehensive income .....	0.0	(0.2)	(0.3)	(0.2)
<b>Total equity</b> .....	<b>236.4</b>	<b>235.8</b>	<b>217.4</b>	<b>220.0</b>
Non-current borrowings .....	628.7	612.6	647.5	668.0
Long-term lease liabilities .....	-	-	68.0	70.6
Deferred tax liabilities .....	126.6	122.1	118.7	114.2
Employee benefits and similar .....	2.0	2.3	2.4	<b>2.6</b>
Non-current provisions .....	4.3	4.6	4.2	3.6
<b>Non-current liabilities</b> .....	<b>761.6</b>	<b>741.7</b>	<b>840.8</b>	859.1
Current borrowings .....	3.5	3.2	33.1	33.0
Short-term lease liabilities .....	-	-	15.7	15.7
Current provisions .....	0.2	0.1	0.1	0.1
Trade payables .....	39.5	44.3	54.5	55.2
Derivative financial liabilities .....	0.5	0.6	0.4	0.3
Tax payable .....	5.9	1.4	1.1	1.0
Other current liabilities .....	106.8	101.8	104.0	105.3
<b>Current liabilities</b> .....	<b>156.6</b>	<b>151.3</b>	<b>208.8</b>	<b>210.6</b>
<b>Total equity and liabilities</b> .....	<b>1,154.7</b>	<b>1,128.8</b>	<b>1,267.0</b>	<b>1,289.7</b>



## Consolidated statement of cash flows information

	For the fiscal year ended July 31,				For the six months ended January 31,	
	2018	2019	2020 (pre-IFRS 16)	2020 (post-IFRS 16)	2020	2021
<i>(in € millions)</i>						
Net cash from operating activities .....	69.4	86.2	43.6	58.8	42.9	68.1
Net cash used in investing activities.....	(10.7)	(8.2)	(13.1)	(9.3)	(1.8)	(8.9)
Net cash from/(used in) financing activities .....	(56.5)	(79.8)	10.7	(8.4)	(18.6)	(18.7)
<b>Net change in cash .....</b>	<b>2.2</b>	<b>(1.8)</b>	<b>41.2</b>	<b>41.2</b>	<b>22.5</b>	<b>40.5</b>
Cash and cash equivalents at beginning of period.....	35.2	37.5	35.7	35.7	35.7	76.9
Cash and cash equivalents at end of period ...	37.5	35.7	76.9	76.9	58.2	117.4

## **Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion and analysis of the Issuer's financial condition and results of operations should be read in conjunction with "Presentation of Financial and Other Information" and "Selected Historical Financial Information". In particular, the following section discusses the results of operation and financial condition of the Issuer, the reporting entity for the Issuer and its subsidiaries since 2018. The following discussion should also be read in conjunction with, and is qualified in its entirety by reference to, the Issuer's unaudited interim condensed consolidated financial statements for the six months ended January 31, 2021, which include the unaudited comparative financial information for the six months ended January 31, 2020, included elsewhere in this Offering Memorandum and the Issuer's audited consolidated financial statements for the fiscal years ended July 31, 2018, 2019 and 2020, an English translation of which included elsewhere in this Offering Memorandum. The Issuer's consolidated financial statements for the aforementioned periods have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union. The Issuer's unaudited interim condensed consolidated financial statements for the aforementioned period have been prepared in accordance with IAS 34, the standard of IFRS as adopted by the European Union applicable to interim financial statements. The Issuer's unaudited consolidated financial statements for the six months ended January 31, 2021, which include the unaudited comparative financial information for the six months ended January 31, 2020, were subject to a limited review by Ernst & Young et Autres and Deloitte & Associés, the Issuer's statutory auditors for such period, as set forth in their review report included elsewhere in this Offering Memorandum. The Issuer's audited consolidated financial statements for the fiscal year ended July 31, 2018 were subject to an audit by Ernst & Young et Autres and Constantin Associés (member of Deloitte Touche Tohmatsu Limited), the Issuer's statutory auditors for the fiscal year ended July 31, 2018, as set forth in the free English translation of their audit report included elsewhere in this Offering Memorandum. The Issuer's audited consolidated financial statements for the fiscal years ended July 31, 2019 and 2020 were subject to an audit by Ernst & Young et Autres and Deloitte & Associés, the Issuer's statutory auditors for such years, as set forth in the free English translation of their audit reports included elsewhere in this Offering Memorandum. For the consolidated financial statements of the Issuer for the fiscal years ended July 31, 2018, 2019 and 2020, an English translation of the consolidated financial statements and a free English translation of the auditors' reports are included elsewhere in this Offering Memorandum.*

*The statutory auditors' report of Constantin Associés (member of Deloitte Touche Tohmatsu Limited) and Ernst & Young et Autres on the audited consolidated financial statements for the fiscal year ended July 31, 2018, without modifying the audit opinion expressed therein, contains an emphasis of matter relating to Note 3.1 to the consolidated financial statements relating to the impact of the revenue recognition standard, IFRS 15, "Revenue from contracts with customers", adopted early by the Issuer as of August 1, 2017. The statutory auditors' report of Ernst & Young et Autres and Deloitte & Associés on the audited consolidated financial statements for the fiscal year ended July 31, 2019, without modifying the audit opinion expressed therein, contains an emphasis of matter drawing attention to the uncertainty related to the tax adjustments received from the tax authorities concerning tax loss carryforwards described in note 6.6.3 "Notifications, lawsuits and disputes" to the consolidated financial statements. The statutory auditors' report of Ernst & Young et Autres and Deloitte & Associés on the audited consolidated financial statements for the fiscal year ended July 31, 2020, without modifying the audit opinion expressed therein, contains emphases of matter drawing attention to the matters disclosed in note 4.1.1 "standards, amendments and interpretations as of August 1, 2019" to the consolidated financial statements relating the impact of the mandatory implementation of IFRS 16 "Leases" by August 1, 2019 and note 6.6.3 "Notification, lawsuits and disputes" to the consolidated financial statements which present the uncertainty related to the tax adjustments received from the tax authorities concerning tax loss carryforwards. The review report of Ernst & Young et Autres and Deloitte & Associés on the unaudited interim condensed consolidated financial statements for the six months ended January 31, 2021, without modifying the conclusion expressed therein, contains an emphasis of matter drawing attention to the matter disclosed in note 6.3.2, which describes lawsuits, disputes and related uncertainties.*

*In the course of the fiscal year ended July 31, 2018, due to the disappointing performance of the Optimil discount banner in Spain and the difficulties encountered in implementing the various components of the franchisor's offer in the store network of the Optimil banner, we decided to initiate the sale of the Optimil banner and focus on the development of the Alain Afflelou banner in Spain. Negotiations for a potential sale of our subsidiary managing the Optimil banner started in early 2018 and the disposal was completed at the end of October 2018. As a consequence, our discount banner activities in Spain were treated as discontinued operations in the income statement of our audited consolidated financial*

*statements for fiscal years ended July 31, 2018, 2019 and 2020. However, the Optimil activities were not treated as discontinued operations in our consolidated statement of cash flows for either period.*

*Finally, the Optimil operations are also presented separately with respect to our network key performance indicators, such as network sales, like-for-like network sales growth and store counts.*

## **Overview**

Our main business consists of our franchisor activity in the optical and hearing aid product markets. As franchisor, we provide our franchisees with a full range of solutions and services, making our banners, industry know-how and business practices available to them, while also marketing and promoting our banners and offering a broad, appealing range of purchasing solutions, including exclusive product offers. All of these products and services maintain brand appeal and pave the way for the development of our franchisees.

In exchange for these services and the exclusive products provided to franchisees, we charge the cost of goods as well as fees and other contributions to our franchisees (in accordance with franchise agreements) and to network suppliers.

Furthermore, to support our banners and networks, we also directly own a number of optical and hearing aid product stores. The three-part objective of our directly-owned stores is to support our franchisor activity as follows:

- maintain complete control over flagship stores in strategic areas in terms of customer bases, as these stores are considered to be showcases for our banners;
- operate a portfolio of stores to test new business initiatives, product concepts and innovations and identify best practices in operations and distribution before rolling them out across the network; and
- manage the store network by temporarily operating stores where a franchisee is retiring or experiencing financial difficulties. In these cases, we acquire the stores to keep them within the network, with the objective of transferring them to new franchisees in the short- to mid-term.

We recognize the following geographical segments in accordance with IFRS 8 – Operating Segments:

- **France.** The "France" segment, which includes the optical and hearing aid businesses of franchised and directly-owned stores in France (as well as the activities of Malentille.com), accounted for 78.0% of network sales and 76.0% of our revenue for the six months ended January 31, 2021. As of January 31, 2021, we had a total of 958 stores in France, of which 77 were directly-owned;
- **Spain.** The "Spain" segment, which includes the optical and hearing aid businesses of franchised and directly-owned stores in Spain (including Andorra), accounted for 14.9% of network sales and 19.8% of our revenue for the six months ended January 31, 2021. As of January 31, 2021, we had a total of 336 stores in Spain, of which 77 were directly-owned stores; and
- **Other countries.** The "Other countries" segment, which includes the optical business in countries outside France and Spain, accounted for 7.1% of network sales and 4.1% of our revenue for the six months ended January 31, 2021. As of January 31, 2021, we had a total of 141 stores in our Other countries segment, of which six were directly-owned stores in Portugal.

We generate revenue through (i) network sales revenue, mainly comprising fees, contributions and other revenue collected by us on franchisee sales in exchange for the various services we provide them as franchisor; (ii) network purchases revenue; and (iii) revenue from directly-owned stores. These sources of revenue are further described below.

- **Network sales revenue (i).** Network sales revenue is mainly derived from fees calculated on the basis of a percentage of the sales reported by the network of franchised stores and from initial one-time network entry fees. Network sales revenue represented 24.6% of our revenue for the six months ended January 31, 2021 and 26.8% of network sales over the same period. These fees and contributions mainly comprise the following items:

- *Entry fees and royalties.* Our store network benefits from the industry know-how and commercial expertise that we have developed over the years, as well as from our strong brand recognition and reputation. We are responsible for formulating a commercial strategy, which is supported by innovative offers, the development of products and services and the sharing of best practices within the store network. In exchange for our know-how, the right to use one of our brands and operate under one of our banners, and the allocation of an exclusive geographical area, we charge franchisees an initial one-time entry fee. For example, we charge entry fees of up to €50,000 for the Alain Afflelou banner in France. For all of our banners, we charge monthly royalties which are calculated as a percentage of a store's monthly sales excluding VAT, which, for example, are set at a standard 4.15% rate for the Alain Afflelou banner in France and 4.23% rate for the Alain Afflelou banner in Spain.
- *Communications.* We are responsible for the development and implementation of our network's advertising and communications strategy, using different types of media (TV, radio) on a local level as well as on national levels to promote our brands, product offerings and commercial offers. In exchange for the communications services we provide, we receive communication fees from stores in the network, which are calculated as a percentage of a store's monthly sales including VAT, which for example are set at 7% for the Alain Afflelou banner in France (including VAT) and 8.34% for the Alain Afflelou banner in Spain (excluding VAT). Communication activity also includes special services charged to the store network as part of local communications campaigns. In addition, revenue derived from communications activities includes sales of display models of exclusive eyeglass frames to stores in the network (however, this revenue is eliminated in the consolidation, as it is also reflected in our exclusive product trading revenue).
- *Other.* These contributions comprise various services charged to the store network, such as training and overhead (e.g., IT expenses), as well as various fees charged to suppliers and service providers for network commercial offers.
- **Network purchases revenue (ii).** Network purchases revenue is derived from listing- and licensing-related fees charged to suppliers on their sales to franchisees, and wholesale activity consisting of product sales to franchisees through central purchasing units and our exclusive eyeglass frames trading activity. Our network purchases revenue represented 47.4% of revenue for the six months ended January 31, 2021 and 42.5% of network sales over the same period. Network purchases revenue comprises the following types of revenue:
  - *Central listing and payment units.* Stores in the network are required to purchase all the products they sell exclusively from suppliers that are listed by our central listing and payment units. On behalf of stores in the network, we negotiate purchasing terms with these suppliers and operate central listing and payment units to optimize the supply and payment of products for both suppliers and stores in the network. The central listing and payment units afford suppliers the advantage of a single commercial and financial counterparty for the entire network, in addition to guaranteed settlements from the network's franchisees. In exchange for these listing and payment services, we charge listed suppliers listing fees (comprising listing commissions, *del credere* commissions relating to supplier payment guarantees and early payment allowances). Such listing fees are calculated as a percentage of a listed supplier's sales to stores in the network.
  - *Central purchasing units.* Stores in the network purchase products either directly from listed suppliers or through our central purchasing units in France, Spain and Belgium. Our central purchasing units primarily cover the purchase of eyeglass lenses, contact lenses and Afflelou-exclusive frames and sunglasses. This system helps network franchisees receive additional discounts, of which we receive a share.
  - *Licensing.* We provide stores in the network our own-brand eyeglass lenses and contact lenses, which are manufactured by third parties and distributed by us through our central purchasing units or directly by listed suppliers. We charge third-party manufacturers of our own-brand eyeglass lenses and contact lenses a licensing fee for the use of certain brand names, such as Éphémère, which are calculated as a percentage of the supplier's sales to stores in the network.

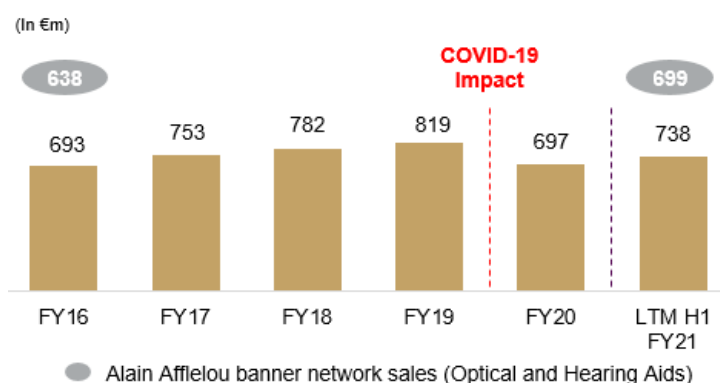
- **Exclusive product trading.** We act as a wholesaler by selling exclusive frames and sunglasses to stores in the network either through logistics providers or directly. Exclusive products include: (i) proprietary frames and sunglasses, which are frames and sunglasses selected by us, manufactured by subcontractors according to our specifications and sold under our own brands, such as the "Afflelou" signature label; (ii) frames and sunglasses under exclusive licenses, which are frames selected by us, manufactured by subcontractors according to our specifications and marketed under third-party brands; and (iii) other exclusive brands and third-party names, which are designed and manufactured by third parties for exclusive distribution in the store network. As part of our trading activities, we retain a margin on the sale of exclusive frames and sunglasses to stores in the network.
- We also generate revenue from **sales to end customers at directly-owned stores (iii)**. The directly-owned store network's contribution to our costs (such as rent and personnel costs) and revenue represents a relatively substantial portion of overall costs and revenue, as it corresponds to the costs and sales of the stores (borne by us), whereas the franchisor activity is largely based on royalties collected from network sales and the sale of products to franchisees. At January 31, 2021, we operated 77 directly-owned stores in France and 77 directly-owned stores in Spain, and six directly-owned stores in Other countries (in Portugal). Revenue from directly-owned stores accounted for 28.0% of revenue for the six months ended January 31, 2021.

### Key factors affecting our results of operations

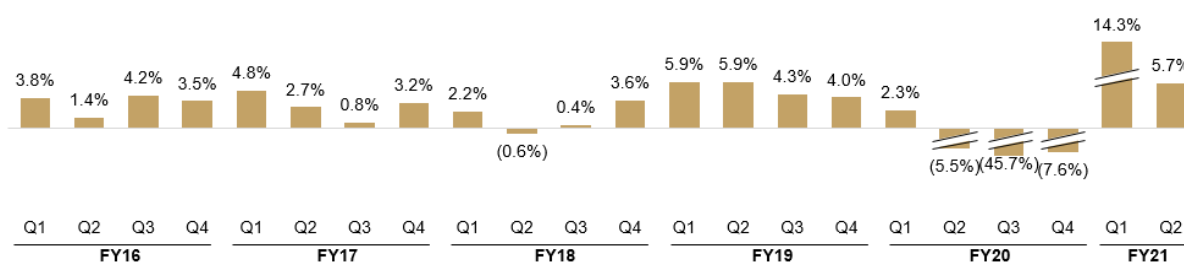
Set forth below are the main factors that have historically affected our results of operations and financial position, and that may continue to do so in the future.

### Network performances

Network sales include all optical and hearing aid sales generated by the stores bearing our various banners and on our websites. A significant portion of our revenue is directly generated by network sales (revenue from franchisees). Network sales are reported monthly by our franchisees in accordance with the provisions of the franchise agreements. The various fees charged to franchisees, such as royalties and communication fees, are calculated as a percentage of franchisee sales. The graphics below show the evolution of our network sales across all geographies and includes all Alain Afflelou and Optical Discount banner stores and hearing aid stores from July 31, 2016 to January 31, 2021 and the evolution of our quarterly network sales (on a like-for-like basis) for the fiscal years ended July 31, 2016 to July 31, 2020 and the three months ended October 31, 2020 and January 31, 2021.



Source: Group information.



Source: Group information.

Revenue from central purchasing and payment units is also related to network business, but indirectly since such revenue is generated by charges to suppliers (listing and payment service fees, and distribution royalties) related to network procurement or a margin retained on franchisee purchases (central purchasing units and trading), and ultimately depends on competition of listed products with those of other suppliers.

Network sales also depend on our presence and our ability to maintain such presence in care networks. In the past, our presence in the care networks was more limited than its current level.

As a result, network sales are the main factor affecting our revenue, which in turn affects our results of operations, particularly our profitability.

The following table provides a breakdown of network sales (excluding VAT) by geographical area for the periods indicated:

(in € millions)	For the fiscal year ended July 31,			For the six months ended January 31,	
	2018	2019	2020	2020	2021
France .....	607.0	636.6	539.5	296.7	334.4
Spain <sup>(1)</sup> .....	120.9	124.5	107.4	62.8	63.9
Other countries .....	53.6	57.4	50.2	28.5	30.5
<b>Total network sales</b> .....	<b>781.5</b>	<b>818.5</b>	<b>697.1</b>	<b>388.0</b>	<b>428.8</b>

(1) Excluding Optimil. See "Presentation of Financial and Other Information—Optimil disposal in October 2018".

Select data from the hearing aid business network in France are presented below:

(in € millions, except store count)	For the fiscal year ended July 31,			For the six months ended January 31,	
	2018	2019	2020	2020	2021
<b>Network sales (excluding VAT)</b> .....	<b>35.1</b>	<b>40.1</b>	<b>34.5</b>	<b>18.2</b>	<b>22.8</b>
<b>Store count at end of period</b> .....	<b>240</b>	<b>283</b>	<b>312</b>	<b>306</b>	<b>311</b>
<i>of which centers</i> .....	70	81	90	87	90
<i>of which retail spaces</i> .....	170	202	222	219	221

#### *Fiscal year ended July 31, 2020*

In the fiscal year ended July 31, 2020, our network sales decreased by 14.8% to €697.1 million as compared to €818.5 million in the fiscal year ended July 31, 2019. The Group network recorded near zero sales from March 16 to May 11, 2020, and progressively began to recover during the second half of May 2020. The cumulative impact of COVID-19 in March, April and May 2020 represented a total deficit of sales of approximately €120 million from the year before, broadly corresponding to the total network sales difference between the fiscal year ended July 31, 2020 and the fiscal year ended July 31, 2019. On a monthly basis, the COVID-19 pandemic generated a deficit of sales of more than 40% in March and May, and more than 90% in April. Excluding the months of March, April and May 2020, our historical banner would have performed well, with growth in each of our main geographical areas, even in France where sales in January were impacted by difficulties around the launch of 100% Santé. The start of calendar year 2020 was affected by delays by the French Social Security system and private health insurers in implementing the 100% Santé changes. In early January 2020, French health care systems struggled to take the new classification codes of products into account, especially for lenses, thus making it difficult for opticians to get the necessary information on reimbursement levels to end customers and, consequently, to invoice end customers. As such, opticians were unable to invoice a large volume of end customers at the beginning of calendar year 2020 and many end customers in turn had to postpone their optical purchases. The effect of this situation was progressively absorbed during the month of January 2020, with a limited number of private health insurers still having difficulties serving end customers until the beginning of the initial COVID-19-related confinements in the spring of 2020.

In our discount segment, sales excluding March to May 2020 also decreased following a significant reduction in the perimeter. Sales in the hearing aid sector (mostly consisting of our French business at Alain Afflelou Acousticien) declined for the same reasons over the calendar year 2020, and also due to

a more difficult environment due to customers holding out for the 100% Santé regulation changes which were not fully implemented until January 2021.

#### France

Sales in France in the fiscal year ended July 31, 2020 decreased by 14.2%, due in large part to the impact of COVID-19. For example, our French network experienced a 45.6%, 93.7% and 41.5% decline in March, April and May, 2020, respectively, following the temporary closure of a vast majority of our French stores until May 11, 2020. Sales in France were also affected in January 2020 by difficulties around the launch of 100% Santé. As of mid-March 2020, those difficulties had been largely resolved, but some of the sales deferred in January still remained unfulfilled when the first COVID-19-related confinements took effect. We believe that the sales recovery since the reopening of our stores also benefitted from the postponement of sales due to the aforementioned difficulties around the settlement of 100% Santé.

Finally, sales were also impacted by the regulation changes around 100% Santé which mainly resulted in the creation of a zero cost range of products (known as "**Segment A**" in the optical sector and "**Segment I**" in the hearing aid sector) for the end customer, and the cut in the maximum frame reimbursement from €150 to €100. While it is difficult to assess each of those three elements affecting our sector at this point, the sector performance as measured by Observatoire de l'Optique showed a comparable evolution of our banner with the total market, at respectively -28.2% for the market and -26.7% at Alain Afflelou France (for the first seven months of the 2020 calendar year) and -14.2% for the fiscal year ended July 31, 2020 (on a year-to-date basis at the end of calendar year 2020). We believe that the impact on the market of these 100% Santé changes to be limited to a one-off negative impact of approximately 2% in 2020, as frames only represent 25% of the average customer basket; thus far, uptake on RAC Zéro is broadly in line with our expectations, with slightly lower impact on frames sales than expected. The measure is expected to impact 5% to 10% of frames France sold in France.

Our discount banner recorded a 28.4% decline of its sales for the fiscal year ended July 31, 2020, due to the combination of the total store count reduction and the impact of COVID-19 in the second of half of the fiscal year. Finally, our sales in the hearing aid business recorded a decline for the fiscal year ended July 31, 2020 of 13.9%, still above the market which recorded a total decrease of 19.9%, mainly due to the difficult sector environment since mid-2019 after several years of solid growth and the impact of COVID-19, which especially affected the hearing aid business.

#### Spain

Sales in Spain decreased by 13.8% for the fiscal year ended July 31, 2020. As in France, sales would have been positive, but for the months of March to May 2020, which were deeply impacted by the COVID-19 pandemic (i.e. the other nine months of the fiscal year ended July 31, 2020 showed an increase in sales). The sales impact of COVID-19 on our network in Spain has been more significant than in France, as our network includes a higher proportion of stores in large urban areas and in malls than in France, mainly as a result of our historical base (Alain Afflelou Optico was founded from the former network Optica Carrefour). We also recorded a strong recovery, as in France, in June and July 2020. Nevertheless, given the greater impact of discretionary sales in Spain (sunglasses) and the absence of a supportive healthcare system like the one in France, we still remain cautious about our network sales in Spain. Finally, our hearing aid banner was re-launched after the termination of our master franchise agreement in the preceding fiscal year. While performing well, our development has been slowed by COVID-19 which has made it more difficult to open new stores, to locate and onboard new franchisees and to perform refurbishments.

#### Other countries

Sales in the Other countries segment declined by 12.6% for the fiscal year ended July 31, 2020. Switzerland had a positive impact on performance in this segment, with the re-opening of our network in May 2020, and positive evolution of sales in the last quarter. On the other hand, our network in Portugal continued to be significantly affected due to the combination of lower discretionary sales and tourist deficit.

#### *Six months ended January 31, 2021*

In the first half of the fiscal year ending July 31, 2021, our network sales increased by 10.5% to €428.8 million, as compared to €388.0 million during the six months ended January 31, 2020. Our historical optical banner grew by 10.2% in the first half of this fiscal year, slightly slowing down in the second

quarter of this fiscal year, mainly as a consequence of the second confinement in late Autumn 2020 and curfew measures that were put in place in January 2021. Despite a slight decrease in the second quarter of the fiscal year ending July 31, 2021, network sales in our discount segment in France increased slightly in the first half of the year (a 0.2% increase as compared with the first half of the prior fiscal year (with the increase occurring in the first quarter of the fiscal year, offset by a slight decrease in the second quarter)), a lower growth than the historical banner mainly due to perimeter reductions. Our hearing aid activity, which is mostly covered by our Alain Afflelou Acousticien banner in France, continued to perform well, growing by 26.3% over the first half of the fiscal year as compared with the first half of the prior fiscal year.

#### France

During the 2020 calendar year, network sales in our French Alain Afflelou optical banner were impacted by the COVID-19 pandemic, with a total decline of 12.0% to €488.8 million (excl. VAT), as compared to €555.7 million in the prior calendar year. This decline was slightly lower than the decline across the optical market overall (13.0% as estimated by *Observatoire de l'Optique*). Alain Afflelou continued to perform well in its market, despite a decline in January 2020 due to technical difficulties related to the implementation of 100% Santé.

Network sales in our discount banner also declined over the 2020 calendar year, to €33.1 million as compared with €42.7 million in the previous calendar year, i.e. a decline of 22.6%, due to the combination of the COVID-19 pandemic and perimeter reductions. Finally, our hearing aid banner sales amounted to €38.3 million (excl. VAT) over the 2020 calendar year, down only 1.0% as compared with the previous calendar year, despite the COVID-19 pandemic. During the 2020 calendar year, our hearing aid banner benefited from the re-launch of our Tchou Tchou offer at the end of the calendar year 2019. Also, we think our progress on digital transformation, including improved tools for booking appointments, and efforts to forge a closer link with hearing aid users contributed to our strong performance. The first month of activity after the 100% Santé changes came into effect in calendar year 2021 showed good performance, and we expect the switch to the RAC zéro offer for a basic pair of hearing aids will have a strong positive impact on the hearing aid market in 2021, taking full effect progressively over the calendar year.

During the second quarter of the fiscal year ending July 31, 2021, our network sales in France increased by 8.6% as compared with the second quarter of the previous year. In November 2020, sales were nearly stable as compared to November 2019, reflecting strong underlying performance despite the impact of confinement measures that impacted traffic in stores especially in shopping centers, while December 2020 and January 2021 collectively showed a strong increase versus the prior year.

#### Spain

During the 2020 calendar year, network sales in our Spanish Alain Afflelou banner decreased by 11.7%, as compared with an overall market drop of 18.3%, as estimated by GfK. Our network sales in Spain have been fairly resilient, with a more vigorous rebound (1.2%) than the wider market (-2.2%, according to GfK) after the confinement period in the second half of the calendar year, due in part to large communication campaigns and commercial offers like *Magic* and *buy one and get two additional pairs for one euro* that supported the reopening of our stores. Additionally, discretionary sales declines (such as sunglasses, contact lenses and other than corrective glasses products) had a deeper impact in the wider sector than at Alain Afflelou, given a historical lower proportion of those sales (27% of the market as estimated by GfK in 2019, versus 22% at Alain Afflelou) and a stronger mid-range positioning at Alain Afflelou through our own products collections. In the 2020 calendar year, corrective glasses sales decreased by 8.3% at Alain Afflelou, as compared to a wider market decline of 12.7% as estimated by GfK, and discretionary sales decreased by 23.9% at Alain Afflelou, as compared to a wider market decline of 33.2% as estimated by GfK.

In the second quarter of the fiscal year ending July 31, 2021, network sales in Spain declined by 2.2% as compared with the same period in the prior fiscal year and grew by 1.8% in the first half of the current fiscal year as compared to the first half of the prior fiscal year. Sales in Spain were affected in November 2020 in a similar way to France, due to a second confinement being imposed. Thanks to lightening of confinement measures in December 2020, our network sales in Spain recovered strongly, with an overall positive evolution of sales in November 2020 and December 2020, but in January 2021, our activity was impacted by heavy snowfall in the Madrid region.

#### Other countries



In the second quarter of the fiscal year ending July 31, 2021, network sales in the Other countries segment grew by 2.7% as compared with the same period in the prior fiscal year and grew by 7.1% in the first half of the fiscal year as compared to the first half of the prior fiscal year, with our BeLux and Swiss networks showing a growth of 11.5%, consistent with the French network.

### **Expansion of store network**

Our store network includes all optical and hearing aid stores bearing our various banners. The size of the store network directly impacts network sales. The number of stores in the network increases through opening new stores under the existing banners in the markets where we operate and by adding new banners to the network.

The following table provides a breakdown of the store network (including directly-owned stores) by geographical area for the periods indicated:

	As of July 31,			As of January 31,	
	2018	2019	2020	2020	2021
(store count)					
France .....	978	957	961	950	958
Spain <sup>(1)</sup> .....	341	328	328	327	336
Other countries .....	141	140	140	140	141
<b>Store count at end of period .....</b>	<b>1,460</b>	<b>1,425</b>	<b>1,429</b>	<b>1,417</b>	<b>1,435</b>
France .....	81	77	71	71	77
Spain <sup>(1)</sup> .....	84	80	75	77	77
Other countries .....	5	5	5	5	6
<b>Directly-owned stores .....</b>	<b>170</b>	<b>162</b>	<b>151</b>	<b>153</b>	<b>160</b>
French audio corners .....	170	202	222	219	221
Spanish audio corners .....	39	34	40	35	56
<b>Total audio corners .....</b>	<b>209</b>	<b>236</b>	<b>262</b>	<b>254</b>	<b>277</b>

(1) Excluding Optimil. See "Presentation of Financial and Other Information—Optimil disposal in October 2018".

### **Fiscal year ended July 31, 2020**

In the fiscal year ended July 31, 2020, the Group's store count grew by four stores from 1,425 stores at the end of July 2019 to 1,429 stores at the end of July 2020, with solid growth of the Alain Afflelou optical and hearing aid banners, attenuated by the reduction of our discount network (reduction of 13 stores in our Optical Discount banner). Our development has been slowed by the COVID-19 pandemic, which delayed the openings of several stores. Finally, the Group continued to reduce the number of directly-owned stores, with 151 stores as of July 31, 2020, as compared to 162 as of July 31, 2019.

#### France

Our French network increased by three stores over the fiscal year ended July 31, 2020. The Alain Afflelou optical banner comprised 760 stores as of July 31, 2020 (compared to 752 stores in the prior fiscal year). The hearing aid business also continued to expand significantly, both in terms of dedicated stores (90 stores, compared to 81 stores in the prior fiscal year) and corners (222 corners, compared to 202 corners in the prior fiscal year). On the whole, the hearing aid network accounted for 312 points of sale at the end of July 2020 (compared to 283 points of sale in the prior fiscal year). Finally, the Optical Discount banner continued to decrease to 111 stores at the end of July 2020 (compared to 124 stores in the prior fiscal year), as a consequence of our strategy to right-size the number of opticians in our networks in order to maintain only the number of opticians actually required by the Group.

#### Spain

In Spain, our store count was stable (as compared to the prior fiscal year) at 328 stores at the end of July 2020. Following our decision to re-launch our hearing aid business, the network grew by seven points of sale to 43 at the end of both July 2019 and 2020, of which three were dedicated stores and 40 were corners (compared to two stores and 34 corners in the prior fiscal year).

#### Other countries

Our network in the Other countries has also been stable, at 140 stores at the end of both July 2019 and 2020. We continued to develop in promising areas, like Kuwait, where a third store was opened. In Asia and South America, our plans have been put on hold, due to the deep impact of COVID-19 on our activity. Other areas have been broadly stable.

### *Six months ended January 31, 2021*

Our total store count increased by 18 stores to 1,435 stores as of January 31, 2021 as compared to 1,417 stores as of January 31, 2020. This increase corresponds to the expansion of our historical banner in each geographical area.

#### France

Our total store count in France increased by eight stores in the second quarter of the current fiscal year as compared to the second quarter of the prior fiscal year and decreased by one store as compared to October 31, 2020. Our total store count in France continues to be affected by the reduction of our discount banner, which accounted for 97 stores as of January 31, 2021, as compared to 104 stores as of October 31, 2020 and 106 stores as of January 31, 2020. Our Alain Afflelou banner reached a historic record of 768 optical stores as of January 31, 2021, as compared to 754 as of January 31, 2020, which we believe demonstrates the renewed attractiveness of our banner. Our hearing aid banner also continued to expand, with an increase of 5 points of sale (two corners and three dedicated stores) over the last twelve months. As of January 31, 2021, the hearing aids business accounted for a total of 311 points of sale in France, of which 90 were dedicated stores. The Group continues to expand the Alain Afflelou banner in France, successfully combining the two businesses in the optical and hearing sector. The historical brand Alain Afflelou has added 93 stores since July 2016, reaching 858 optical and hearing aids stores as of January 31, 2021, versus 765 as of July 31, 2016. We continued to rationalize our discount banner, with the aim of bringing the discount stores network up to date with our standards for store concept and commercial policy. We will continue in the coming months to terminate franchise agreements for stores in our discount banner that do not fit our requirements and are not aligned with our pricing concept. In certain cases, where the franchisee and the local presence of Alain Afflelou permit it, the Group may elect to transform certain Optical Discount stores into Alain Afflelou stores.

#### Spain

In Spain, our store network gained four stores in the second quarter of the current fiscal year as compared to the prior quarter, with 336 stores as of January 31, 2021 as compared with 332 stores at the end of October 2020, and gained nine stores as compared to the second quarter of the prior fiscal year. Our Spanish hearing aid network also grew by 22 points of sale (including corners and dedicated stores), with 59 points of sale as compared with 37 points of sale as of January 31, 2020.

#### Other countries

Our store network in our Other countries segment grew by two stores in the second quarter of the current fiscal year, with 141 stores as of January 31, 2021 as compared with 139 stores as of October 31, 2020. In the last twelve months, we notably increased our presence in Switzerland by two stores, and added one store in Kuwait, which we believe is a promising geographical area.

### ***Like-for-like network sales growth***

The growth in like-for-like network sales for a given period corresponds to the increase in sales in stores which were open throughout the entire relevant period under consideration and the entire prior year and for which no substantial changes (such as construction or refurbishment work with a duration of more than one month) or closures have occurred during the period under consideration.

In addition to expanding network sales generally, like-for-like network sales growth is another important indicator of the performance of our store network. For a definition of like-for-like network sales growth, see footnote 4 under "*Summary Historical Consolidated Financial Information and Other Data—Operating and segment information*". In countries, such as France and Spain, where we already have a significant store network, the size of the existing network plays a critical role in the overall growth of network sales. Further illustrating this, in a given period new stores only account for a small percentage of network sales. We analyze network sales growth on a like-for-like basis in France, Spain and the Other countries segment in order to assess the evolution of the performance of existing stores, excluding the effects of network expansion.

Growth in like-for-like network sales is due in part to our implementation of commercial offers and policies and the marketing communications that promote them, but is also due to the initiatives of local stores run by franchisees, which receive additional support from our sales management teams.

Like-for-like network sales correspond to sales generated by stores which were open throughout the periods under review, based on a full fiscal year, and which did not undergo any substantial changes

during such periods (such as construction or refurbishment work with a duration of more than one month), in order for sales performance in a period to be comparable to that of the prior period. The calculation of like-for-like network sales does not take store closures in connection with COVID-19 into account. Like-for-like network sales are calculated at constant exchange rates (applying the prior year's exchange rates to the current year), as a very small portion of network sales are currently exposed to currency risk. Like-for-like network sales growth has not been adjusted based on the potential impact on network sales resulting from the different number of working days between two periods.

The following table presents a breakdown of like-for-like network sales growth by geographical area for the periods indicated:

(%)	For the fiscal year ended July 31,			For the six months ended January 31,	
	2018	2019	2020	2020	2021
France .....	1.5%	4.8%	(14.4%)	(2.7%)	12.4%
Spain <sup>(1)</sup> .....	1.5%	5.5%	(12.7%)	2.1%	0.8%
Other countries .....	0.6%	7.0%	(13.7%)	(0.7%)	7.4%
<b>Like-for-like network sales growth .....</b>	<b>1.5%</b>	<b>5.1%</b>	<b>(14.1%)</b>	<b>(1.8%)</b>	<b>10.0%</b>

(1) Excluding Optimil. See "Presentation of Financial and Other Information—Optimil disposal in October 2018".

In general, growth in like-for-like network sales is itself influenced by several factors, including:

- **Population and lifestyle dynamics.** Sales volumes are correlated with population growth and aging. Population growth in the geographical regions in which we operate will likely result in increased demand for optical products. Aging of the population is also expected to result in increased demand for optical products and hearing aids. As a person ages, the need for optical products and hearing aids increases due to age-related far-sightedness and hearing loss. It is estimated that, by 2025, 46.7% of the French population and 52.7% of the Spanish population will be over age 45 and that 56% of each of the French population and 53% of the Spanish population will wear prescription glasses (as compared to 54% and 52% in 2020, respectively, and 51% and 48% in 2012, respectively). See "*Industry—The optical product market—Our optical product geographic markets*". In addition, in France, we believe the implementation of changes to RAC Zéro will be a source of significant growth in demand for hearing aids, as such expensive devices will become more affordable, driving volume and demand. Evolving social habits and lifestyle patterns, such as growing exposure to digital displays, headphones and noisy environments, as well as increasing eye and hearing health awareness, are also expected to continue to support demand for optical products and hearing aids. Internationally, similar trends in population and lifestyle dynamics are also increasing demand for optical products and hearing aids.
- **Technology.** Sales are affected by the availability of technologically innovative products in our product range due to customer demand for the latest technology in optical products. In past decades, there have been significant advances in technology, which have had a positive impact on average basket size. Progressive lenses, photochromatic lenses (*i.e.*, which darken automatically when exposed to sunlight and fade to clear lenses when indoors), polycarbonate lenses (thinner, lighter and more impact-resistant than standard plastic lenses), anti-reflective and anti-scratch lens coatings, break-resistant optical frames (designed with flexible joints and materials that allow a greater degree of bending than conventional frames) and new materials used for contact lenses such as silicon hydrogel are examples of the technologically innovative products sought by customers. We notably expect that over time, as the general population ages, the increase in the penetration rate of progressive lenses will lead to an increase in the average basket for optical products.
- **Overall economic conditions.** The network's optical product sales have historically been affected by overall macroeconomic conditions and the resulting effects on household consumption. These effects may be particularly significant in countries where the level of reimbursement by insurance systems is low or non-existent, which is the case for most of the markets in which we operate, except France, our largest market. In certain instances, customers have responded to the uncertainty and volatility stemming from macroeconomic conditions by delaying their spending on optical products, which explains the longer product

renewal cycle observed during challenging economic times. Generally, the renewal cycle for optical products decreases when overall economic conditions start to improve, leading to positive like-for-like network sales growth. Hearing aid product sales are also influenced by prices, as these products are only partially reimbursed in France (although the implementation of changes to *RAC Zéro* will make these more affordable, driving volume and demand) and not reimbursed at all in Spain.

- *Regulatory environment.* Changes in the regulatory environment impact sales (see "*Regulation*"). This is especially the case in France, where certain regulatory developments have in the past facilitated access to optical products by reducing administrative barriers to optical prescriptions (see "*Regulation*"). For a discussion of recent changes in the regulatory environment in France, see "*Regulation—Regulations governing the French complementary health insurance system*".

#### *Fiscal year ended July 31, 2018*

The Group's like-for-like network sales grew by 1.5% during the fiscal year ended July 31, 2018. While in France our positive performance can be partly attributed to the positive impact of the Alain Afflelou network's expansion into closed care networks, since 2015, the increase across almost all our geographies in the three past fiscal years demonstrates the positive trend in the Alain Afflelou banner.

#### France

During the fiscal year ended July 31, 2018, our Alain Afflelou banner recorded strong network sales in June and July, after a slowdown in the third quarter. Store traffic and network sales benefited from the success of our Smart Tonic offer, which we have since renamed "Magic", supported by a commercial campaign featuring Sharon Stone, and our traditional summer campaign (two additional pairs of glasses at one euro). Additionally, the hearing aid banner performed well in terms of like-for-like network sales, after more moderate network sales growth in previous quarters partly due to network expansion, which led to cannibalization of part of the existing store base. Like-for-like network sales in France grew by 1.5% during the fiscal year ended July 31, 2018 as compared to a growth of 3.7% during the fiscal year ended July 31, 2017.

#### Spain

Network sales increased by 1.5% on a like-for-like basis during the fiscal year ended July 31, 2018. Like in France, recent network sales performance can be attributed to the success of our commercial campaigns and the continued success of our Smart Tonic offer, which we have since renamed "Magic". Additionally, we believe that Spanish customers react more to commercial innovation, as they do not have a health care system comparable to the French system which generally flattens such trends.

#### Other countries

Network sales in the Other countries segment increased by 0.6% on a like-for-like basis during the fiscal year ended July 31, 2018. After the slowdown in network sales in Belgium, partly due to aggressive commercial policies of the two market leaders, our performance in Belgium during the last quarter of the fiscal year ended July 31, 2018 was positive, alongside positive performance in the other areas, resulting in growth in this segment.

#### *Fiscal year ended July 31, 2019*

The Group's network like-for-like sales grew by 5.1% during the fiscal year ended July 31, 2019.

#### France

In France, the network recorded growth of 4.8% during the fiscal year ended July 31, 2019. Each banner grew significantly. In particular, the Alain Afflelou banner recorded performance sustained by our commercial campaign on *Magic* featuring Sharon Stone, and our traditional summer campaign (two additional pairs of glasses at one euro) at the end of the fiscal year. Like-for-like sales in the discount banner grew more slowly in an improved market environment from the start of the calendar year. In addition, our like-for-like sales in the hearing aid banner recorded a negative performance. We believe this is mainly the consequence of the anticipation by the end-customers of the coming changes to *RAC Zéro*, which will enable them to get equipment for free in calendar year 2021, versus an average burden of approximately €800. Over the long term, we expect that the changes to *RAC Zéro* will have neutral impact on our sales of glasses in France. Also, our performance has been hit by the absence of a strong commercial campaign and offers, and we believe our like-for-like sales in this segment are partly

affected by a cannibalization effect, due to the lack of hearing aid specialists. The optical market was almost stable in 2018 (having grown by 0.1%) and recorded growth of 2.0% from January to July 2019, in each case according to GfK, which we believe was the consequence of three past years of stagnation, despite structural growth factors linked to demographics. Finally, our hearing aid banner continued to outperform the French market, recording 14.1% growth, versus a slightly negative market performance of 0.6%, according to GfK, over the same period.

### Spain

In Spain, network sales increased by 5.5% on a like-for-like basis during the fiscal year ended July 31, 2019. As is the case in France, our Spanish sales performance can be attributed to the success of our commercial campaigns and the success of our *Magic* offer.

### Other countries

Network sales in the Other countries segment increased by 7.0% on a like-for-like basis during the fiscal year ended July 31, 2019. Like-for-like sales in Belgium and Switzerland recorded levels of like-for-like growth of 6.8% and 12.3%, respectively, confirming the positive trend of the fiscal year.

### *Fiscal year ended July 31, 2020*

The Group's network like-for-like sales decreased by 14.1% in the fiscal year ended July 31, 2020. This decline is mainly linked to the COVID-19 pandemic, which affected all our geographies.

### France

In France, the network recorded a decline of 14.4% in the fiscal year ended July 31, 2020. Following the re-opening of our network from May 11, 2020, each banner grew significantly in like-for-like sales in June and July 2020. The Alain Afflelou banner recorded high single digit growth of like-for-like sales in June and July 2020. Like-for-like sales in the discount banner grew even more rapidly in June and July, given a lower proportion of stores within malls which continued to lack traffic after the end of the initial confinement period. Finally, like-for-like sales in the hearing aid market recovered, thus almost being stable in the fourth quarter of the fiscal year and over-performing the market over the fiscal year.

Over the fiscal year, our optical banners were broadly aligned with the market (as measured by *Observatoire de l'Optique* as down by 14.5% and GfK as down by 13.9%). Three main elements have impacted our market and our networks since the start of the calendar year:

- First, our sales were affected by technical difficulties around the settlement of 100% Santé changes, in January, during which sales decreased significantly. While progressively being caught up in February and March 2020, we believe after the re-opening we continued to capture some clients who had been unable to purchase in January 2020 due to the difficulties described above in connection with the implementation of 100% Santé.
- Second, we think that the 100% Santé changes have not yet had their full impact, given the troubled environment during the 2020 calendar year. While the volume of sales of RAC Zéro offers (either glasses or only frames or lenses with no out of pocket expense) broadly correspond to our expectations of 15% to 20% of total glasses volumes, the impact on our sales has been limited.
- Finally, COVID-19 affected the whole sector, but with specific impacts depending on various criteria, such as geographical exposure, location of our stores and the distribution of sales in a given store. For instance, the absence of international tourism had a significant negative impact on the biggest store in our network (Champs Elysées). Discretionary sales, like sunglasses, continued to underperform after the reopening, showing a decline 17% or €0.9 million in June and July 2020 (as compared to the same period in the prior fiscal year). In terms of location, the stores in large malls and shops located in metropolitan business districts (such as La Défense in Paris or La Part Dieu in Lyon) were still missing customer traffic, as the population working in those areas considerably decreased as a result of work-from-home measures.

### Spain

In Spain, network sales decreased by 12.7% on a like-for-like basis during the fiscal year ended July 31, 2020. As is the case in France, sales reacted strongly in June and July 2020, after the initial reopening. Nonetheless, our network declined by 37% in terms of sunglasses sales for the fiscal year, with a loss of €0.7 million of sales in June and July 2020. Finally, there was a negative spread of 3% in like-for-like sales evolution between our stores in malls, due to lack of traffic, and the rest of our portfolio.

### Other countries

Network sales in the Other countries segment decreased by 13.7% on a like-for-like basis during the fiscal year ended July 31, 2020. Our Belgian network recorded a larger decline on the fiscal year than our French network, although it had overperformed the year before. Our Swiss network continued to perform well, with growth in like-for-like sales in the fourth quarter, and a total decline at only 5.8% for the fiscal year. In Portugal, like-for-like sales during the fiscal year were broadly aligned with the French network. Finally, the other areas showed mixed performances. In Africa, where we had 32 stores at the end of the fiscal year, our evolution generally followed France. Each of our stores in Kuwait continued to grow while our stores in Asia and Colombia were more significantly negatively impacted.

### *Six months ended January 31, 2021*

Our like-for-like network sales increased by 10.0% in the first half of the current fiscal year as compared with decline of 1.8% in the same period of the prior fiscal year, with cumulative growth in each geographical area for the first half of the current fiscal year. This strong performance despite the COVID-19 pandemic (which was weighted more heavily to the first quarter and slowed somewhat in the second quarter) further demonstrates the resilience of our business and the non-discretionary, healthcare nature of the optical and hearing aid products we sell. In addition, the prior period reflected a particularly difficult trading environment in France, as discussed further below.

### France

On a cumulative basis, like-for-like network sales increased by 12.4% during the first half of the fiscal year ending July 31, 2021 (which increase was weighted more heavily to the first quarter and slowed somewhat in the second quarter), as compared with decline of 2.7% the first half of the fiscal year ended July 31, 2020. Each of our optical banners grew by almost 8% during the second quarter of the fiscal year ending July 31, 2021, while our hearing aid banner continued to recover in spite of the COVID-19 pandemic and the 100% Santé changes in the hearing aid market that took effect in January 2021 and which led a number of customers to defer purchase in the first two months of the quarter. The Alain Afflelou optical banner showed a similar positive evolution as compared to our discount banner, as its overperformance was partly offset by a stronger presence in large shopping centers, which have been more impacted by lack of traffic.

In the six months ended January 31, 2021, our main optical banner outperformed the French and Spanish optical markets, with our French Alain Afflelou banner's like-for-like network sales growth reaching 14.0% (as compared to overall French optical market growth of 10.5%) and our Spanish Alain Afflelou banner's like-for-like network sales growth reaching 1.8% (as compared with over all Spanish market growth of negative 1.1%) (as estimated by Observatoire de l'Optique and GfK, respectively). Our discount banner was broadly in line with the optical market in terms of like-for-like sales. Stores in large shopping centers underperformed versus the network in terms of like-for-like sales, with an increase of only 3.4% in the first half of this fiscal year and in the whole fiscal year ended July 31, 2020. Due to the COVID-19 pandemic and related restrictions in shopping centers, we expect these stores to continue to underperform while such restrictions are in place. However, we believe that part of this business will continue to temporarily re-direct to other locations in our network which have remained open.

Our optical banners in France have again demonstrated their resilience when viewed on a month- by-month basis, especially in November 2020, when like-for-like sales were essentially stable as compared to the same month of the prior fiscal year, with the second confinement period largely impacting traffic areas like shopping centers and large city centers. December and January were exceptional months in the fiscal year ended July 31, 2020 due to the changes around 100% Santé; in December 2020 and January 2021, our French network sales performed well overall, which we believe stems from a continuing "catch up" effect from the first French confinement. Finally, our French hearing aid banner continued to grow in the second quarter of the current fiscal year (with a cumulative growth of 16.4% in like-for-like sales in the first half of this fiscal year), with a particularly strong performance (22.5% growth in like-for-like network sales as compared to the same period in 2020) in January 2021, which gives us an encouraging outlook on the 100% Santé changes that took effect from January 2021. This positive trend continued in February and March, despite the partial restrictive measures put in place in France to respond to a third wave of the COVID-19 pandemic, with like-for-like sales growth totaling more than 25% in both months. As we see in the number of appointments, which gives an early indication of coming activity, we think the positive trends corresponding to new hearing aid users thanks to the 100% Santé

changes will continue to last in the near future. On the whole, our hearing aid banner has recorded monthly like-for-like sales growth above 5% each month since June 2020.

#### Spain

In Spain, like-for-like network sales decreased by 3.6% during the second quarter of the current fiscal year as compared to the second quarter of the prior fiscal year and increased by 0.8% in the first half of the current fiscal year as compared to the first half of the prior fiscal year. While like-for-like sales in January 2021 declined by 16.5%, largely due to heavy snowfall in the Madrid region, sales in December 2020 overperformed as compared to the same months in the prior fiscal year. On the whole, the banner performed well during periods not affected either by restrictive measures or heavy snowfall (January 2021), with over 7% in monthly like-for-like sales growth (in September, October and December).

#### Other countries

Like-for-like network sales in our Other countries segment increased by 2.3% during the second quarter of the current fiscal year as compared to the second quarter of the prior fiscal year and 7.4% in the first half of the current fiscal year as compared to the first half of the prior fiscal year. Belgium performed well, with a cumulative like-for-like sales growth of 18.6% in the first half of the current fiscal year as compared to the first half of the prior fiscal year. Switzerland recorded slightly positive like-for-like sales growth at 0.2% during the first half of the fiscal year, the difference partly stemming from a higher base than the year before (a 3.9% increase in the first half of the fiscal year ended July 31, 2020), and also an earlier recovery after the first confinement. Lastly, like-for-like sales declined in the other geographical areas in our Other countries segment in the second quarter of the fiscal year and in the first half of this fiscal year, mainly due to a late impact of COVID-19, as was the case in Portugal.

### ***Other factors affecting our results of operations***

#### Business model and new services and offers

Our ability to pivot our franchise business model, and in particular our ability to develop and offer new services to our franchisees and suppliers, across all our networks and geographies, has historically had, and may in the future have, a significant impact on our results of operations.

Average franchise and communication fees can change as our network changes. For example, when long-standing franchisees, which are often subject to historical royalty rates that are lower than current rates, retire and are replaced with new franchisees, we are able to obtain more favorable terms. Concerning revenue from franchisees, the addition of new banners (Optical Discount and Alain Afflelou Acousticien) that may have lower royalty rates impacts our average franchise fees as a whole. In general, we invoice higher franchise and communication fees under the Alain Afflelou banner in France than under other banners and in Other countries, reflecting the banner's strong brand recognition and considerable know-how. Newer banners (Alain Afflelou Acousticien) or smaller banners (Optical Discount) generally incur higher advertising expenditures in order to foster brand awareness and drive footfall.

Additionally, we are progressively extending to all of our banners the central listing and payment unit already in place for the Alain Afflelou banner in France and Spain, which covers all of franchisees' purchases, as well as a central purchasing unit that helps franchisees to optimize the cost of purchases and boost their margins. Moreover, our ability to improve the terms of our agreements with suppliers, primarily attributable to the volume of purchases made by our banners, may have an impact on our results.

The roll-out of a line of exclusive products, notably through our trading activities can also have an effect on our network sales and revenue. Our ability to improve the penetration rate of these products in the overall purchases of franchisees in our network increases our revenue and profitability. Likewise, exclusive products are to be further developed alongside other offers already deployed throughout the network, including the discount and hearing aid banners.

#### Directly-owned stores

Any changes in sales at directly-owned stores impact our revenue, results of operations and financial position. Directly-owned store sales are included in network sales and are also impacted by the factors described above. The contribution of directly-owned stores to our costs and revenue represents a relatively substantial portion of overall costs and revenue, as it mainly corresponds to the costs and sales of these stores directly borne by us. Changes in the number of directly-owned stores therefore affect our cost structure and revenue generation.

Our strategy for directly-owned stores is based around three major objectives: (i) retaining control over flagship stores located in strategic areas and key geographies; (ii) having a store network to test new business initiatives and identify best practices in operations and distribution before applying them to the franchisees; and (iii) managing the overall store network when the need arises, through supporting locations where the franchisee is either retiring or experiencing financial difficulties to keep them under our banners. Setting and achieving these objectives is part of the overall management strategy for the network and involves specific costs, but it contributes to increasing the profitability of the entire franchise activity. Changes in the initiatives or the number of directly-owned stores could therefore impact our future results.

## **Factors affecting the comparability of our results of operations**

### ***Changes in our scope of consolidation***

We consummate acquisitions from time to time to take advantage of opportunities to increase our market share in existing markets or to enter adjacent geographies or complementary markets. Our management believes that acquisitions enhance the benefits of scale in our industry, particularly with respect to purchasing power, inventory management and logistics as well as general operational synergies. We typically seek synergies from acquisitions relating to the geographical coverage and density of our store network, supplier relationships and product offerings that allow us to expand our offering to both franchisees and end-customers, distribution capabilities (for example, with respect to e-commerce platforms) and general and administrative costs, among others.

In addition to organic growth of our store network, we have consummated certain acquisitions which have resulted in changes to our scope of consolidation during the periods under review.

In the course of the fiscal year ended July 31, 2018, due to the disappointing performance of the Optimil discount banner in Spain and the difficulties encountered in implementing the various components of the franchisor's offer in the store network of the Optimil banner, we decided to initiate the sale of the Optimil banner and focus on the development of the Alain Afflelou banner in Spain. Negotiations for a potential sale of our subsidiary managing the Optimil banner started in early 2018 and the disposal was completed at the end of October 2018. As a consequence, our discount banner activities in Spain were treated as discontinued operations in the income statement of our audited consolidated financial statements for fiscal years ended July 31, 2018, 2019 and 2020. However, the Optimil activities were not treated as discontinued operations in our consolidated statement of cash flows for either period.

### **Adoption of IFRS 16 (Leases)**

We have applied the IFRS 16 (Leases) standard from August 1, 2019 using the retrospective simplified method, with no restatement of comparative information. As a result of the application of IFRS 16, we recognized non-current assets and current assets of €76.4 million and €1.6 million, respectively, and non-current liabilities and current liabilities of €71.0 million and €14.6 million, respectively, as of August 1, 2019. The recognition of expense as depreciation and interest rather than rental expense, resulted in a decrease in Rental expense and an increase in EBITDA of €15.0 million for the fiscal year ended July 31, 2020. Due to the difference in timing of expense recognition (expense is front-loaded under IFRS 16 as interest expense is greater at the beginning of the lease), the total impact on Net loss before tax of consolidated companies was a loss of €0.5 million for the fiscal year ended July 31, 2020. In respect to the consolidated statement of cash flows, operating cash flows increased as a result of the application of IFRS 16, and financing cash flows decreased, as repayment of the principal portion of the lease liabilities are now classified as cash flows from financing activities.

### **Non-IFRS performance indicators**

In assessing the performance of our business, our management considers a variety of performance and financial measures. The key measures for determining how our business is performing are like-for-like network sales growth (as discussed above under "*Key factors affecting our results of operations—Like-for-like network sales growth*"), store count (as discussed above under "*Key factors affecting our results of operations—Expansion of store network*") and Adjusted EBITDA. Such indicators are not recognized measures of financial performance under IFRS. See "*Presentation of Financial and Other Information—Other Financial Measures*" and "*Summary Historical Consolidated Financial Information and Other Data—Other Financial Information*" for a reconciliation of Adjusted EBITDA to operating income from ordinary activities.



## Adjusted EBITDA

The following table sets forth a breakdown of our Adjusted EBITDA by geographic segment for the periods indicated.

	As of July 31,				For the six months ended January 31,	
			2020	2020		
	2018	2019	(pre-IFRS 16)	(post-IFRS 16)	2020	2021
(in € millions)						
France .....	67.3	69.5	46.8	56.8	37.3	42.1
Spain .....	10.3	12.1	8.3	12.8	9.1	8.6
Other countries .....	1.4	2.3	0.6	1.0	1.3	1.7
<b>Adjusted EBITDA .....</b>	<b>79.0</b>	<b>83.8</b>	<b>55.6</b>	<b>70.6</b>	<b>47.7</b>	<b>52.4</b>

(1) In the course of the fiscal year ended July 31, 2018, due to the disappointing performance of the Optimil discount banner in Spain and the difficulties encountered in implementing the various components of the franchisor's offer in the store network of the Optimil banner, we decided to initiate the sale of the Optimil banner and focus on the development of the Alain Afflelou banner in Spain. Negotiations for a potential sale of our subsidiary managing the Optimil banner started in early 2018 and the disposal was completed at the end of October 2018. As a consequence, our discount banner activities in Spain were treated as discontinued operations in the income statement of our audited consolidated financial statements for fiscal years ended July 31, 2018, 2019 and 2020. However, the Optimil activities were not treated as discontinued operations in our consolidated statement of cash flows for either period.

The Group's Adjusted EBITDA increased by €4.8 million, or 6.1%, to €83.8 million for the fiscal year ended July 31, 2019 as compared to €79.0 million for the fiscal year ended July 31, 2018. The increase was linked to network sales growth.

The Group's Adjusted EBITDA (pre-IFRS 16) decreased by €28.2 million, or 33.7%, to €55.6 million (€70.6 million post-IFRS 16) for the fiscal year ended July 31, 2020 (as compared to €83.8 million for the fiscal year ended July 31, 2019). The decrease was mainly due to the COVID-19 pandemic and its impact on our sales performance. Sales in France in the fiscal year ended July 31, 2020 decreased by 15.3%, due in large part to the impact of COVID-19. For example, our French network experienced a 40% decline in May 2020 following the temporary closure of the vast majority of our French stores until May 11, 2020. Sales in France were also affected in January 2020 by difficulties around the launch of 100% Santé. As of mid-March 2020, those difficulties had been largely resolved, but some of the sales deferred in January 2020 still remained unfulfilled when the first COVID-19-related confinement took effect. We believe that the sales recovery since the reopening of our stores also benefitted from the postponement of sales due to the aforementioned difficulties around the settlement of 100% Santé.

Adjusted EBITDA declined by €0.5 million, or 2.0%, from €26.7 million for the second quarter of the fiscal year ended July 31, 2020 to €26.2 million for the second quarter of the year ending July 31, 2021, and increased by €4.7 million, from €47.7 million in the first half of the prior fiscal year to €52.4 million in the first half of the current fiscal year. The decrease in the second quarter was mainly due to a decrease of €0.7 million in Spain, while other geographical areas were stable overall. On the whole, Adjusted EBITDA during the second quarter was affected by a €0.7 million decline at our directly-owned stores in France and Spain, due to the COVID-19 pandemic impacting traffic in shopping centers and tourist areas, where we have a higher proportion of directly-owned stores as compared to the rest of the network. In the first half of the current fiscal year, our Group has generated adjusted EBITDA growth of 9.9%, consistent with the overall network sales growth of 10.5%.

### France

Adjusted EBITDA (on a pre-IFRS 16 basis) generated in France increased by €2.2 million, or 3.2%, from €67.3 million for the fiscal year ended July 31, 2018 to €69.5 million for the fiscal year ended July 31, 2019. For the fiscal year ended July 31, 2019, performances at our historical banner grew broadly in line with network sales. On the other hand, performances at our discount banner were impacted by the reduction in the perimeter. The hearing aid banner continued to improve its profitability (as compared to the prior fiscal year), reaching breakeven EBITDA for the fiscal year, as compared to a loss of €1.1 million for the fiscal year ended July 31, 2018, despite the recent slowdown in terms of network sales. Finally, the directly-owned stores structure also improved its profitability, after the reduction of the perimeter, including the closing down of non-performing stores.

Adjusted EBITDA generated in France decreased by €22.7 million or 32.7%, from €69.5 million for the fiscal year ended July 31, 2019 to €46.8 million (pre-IFRS 16; €56.8 million post-IFRS 16) for the fiscal year ended July 31, 2020. Profitability linked to our Alain Afflelou optical network was stronger than the Optical Discount banner, which was also impacted by a strong reduction of its perimeter, and Alain

Afflelou Acousticien, our hearing aid banner, which was impacted by a more difficult environment, through the fiscal year, due to the anticipation of 100% Santé changes. Additionally, our directly-owned stores were strongly impacted by the lack of traffic in shopping centers and big stores like at Champs Elysées, which generally have high levels of rents.

Adjusted EBITDA generated in France was stable at €21.3 million for the second quarter of the fiscal year ending July 31, 2021. Network sales in the second quarter of the current fiscal year grew by 8.6%, with varying results during each month. Nevertheless, sales at our directly-owned stores were affected by the lack of traffic, especially in November 2020, during the second confinement period, and since mid-January 2021, due to new curfew measures. As a consequence, profitability at our directly-owned stores declined by €0.6 million in the second quarter of the fiscal year ending July 31, 2021. The other segments of our businesses in France showed an overall slight increase, taking into account a decrease of our discount activities, mainly as a consequence of perimeter reductions and strong performance of our hearing aid activities, consistent with strong network sales.

On a cumulative basis, Adjusted EBITDA grew by €4.8 million to €42.1 million for the first half of the fiscal year ending July 31, 2021 versus €37.3 million for the first half of the fiscal year ended July 31, 2020. The franchisor activities at our historical banner generated EBITDA growth, reaching 11.9%, a consistent level with the network sales increase of 12.7%. Our directly-owned stores also grew overall, thanks to strong profitability in the first quarter. The EBITDA in our discount banner declined by €0.2 million in the first half of the current fiscal year, versus the same period in the prior year, due to perimeter reductions in this network. Finally, the hearing aid business reported Adjusted EBITDA of €0.8 million in the first half of the current fiscal year, thanks to the strong level of network sales.

### *Spain*

Adjusted EBITDA (on a pre-IFRS 16 basis) generated in Spain increased by €1.8 million, or 17.1%, from €10.3 million for the fiscal year ended July 31, 2018 to €12.1 million for the fiscal year ended July 31, 2019. This increase in Adjusted EBITDA mainly resulted from the outperformance of our network, accompanied, as was the case in France, by a strong recovery at our directly-owned stores structure.

Adjusted EBITDA generated in Spain decreased by €3.8 million, or 31.5%, from €12.1 million for the fiscal year ended July 31, 2019 to €8.3 million (pre-IFRS 16; €12.8 million post-IFRS 16) for the fiscal year ended July 31, 2020. The decrease in Adjusted EBITDA (pre-IFRS 16) was attenuated by better performances of the directly-owned stores, as compared to France.

Adjusted EBITDA in Spain decreased by €0.5 million from €9.1 million in the first half of the prior fiscal year to €8.6 million for the first half of the current fiscal year. As was the case in the second quarter of the year ending July 31, 2021, Adjusted EBITDA in the first half of the fiscal year was affected by communication phasing, meanwhile our directly-owned stores showed a slight decline of our EBITDA, due to the COVID-19 pandemic and we experienced a decline in network sales in the second quarter.

### *Other countries*

Adjusted EBITDA (on a pre-IFRS 16 basis) generated in the Other countries segment increased by €0.9 million, from €1.4 million for the fiscal year ended July 31, 2018 to €2.3 million for the fiscal year ended July 31, 2019. In Belgium and in Switzerland, the profitability of our activity increased for the fiscal year, due to satisfactory performance of our networks, progressively converging with the profitability level at our Spanish and French networks. In Portugal, we continued to restructure our perimeter, closing down non-performing stores or underperforming franchisees. As a consequence, our losses continue to impact the profitability of the Other countries area. Finally, the other geographical areas, while having a growing footprint are still marginal level in terms of profitability.

Adjusted EBITDA generated in the Other countries segment decreased by €1.7 million, from €2.3 million for the fiscal year ended July 31, 2019 to €0.6 million (pre-IFRS 16; €1.0 million post-IFRS 16) for the fiscal year ended July 31, 2020. Belgium accounted for half of the deterioration of our profitability in the other countries, due to a lower performance of its network up to February 2020, and a slower recovery after the re-opening of our stores.

Adjusted EBITDA increased by €0.4 million, to €1.7 million for the first half of the current fiscal year, as compared with €1.3 million for the same period in the prior fiscal year. The strong performance in this segment was mainly due to the strong recovery of our network sales in Belgium, particularly during the first quarter.

## **Main income statement items**

The main items in our income statement, which are used by management to analyze the consolidated financial statements, are described below:

### **Revenue**

Revenue comprises network sales revenue and network purchases revenue, as well as revenue from direct sales to end customers as part of our directly-owned stores business (see "*—Overview*" for a detailed description of our different sources of revenue). We charge our subsidiaries operating directly-owned stores similar fees as those charged to our franchisees. These expenses are later eliminated on consolidation.

### **Cost of purchases**

Cost of purchases refers primarily to purchases of goods from suppliers, and includes communications expenses, mainly for advertising campaigns in various media. Purchases of bought-in goods refers to purchases of exclusive products, mainly as part of the trading activity, and purchases of goods resold to stores in the network through our central purchasing units and frames and sunglasses trading subsidiary. Purchases from suppliers also includes purchases of bought-in goods made by directly-owned stores from suppliers and through our central purchasing units (in which case the purchases are eliminated on consolidation) that are sold to end customers. We neither operate nor own any manufacturing facilities. Consequently, our products are manufactured by independent third parties.

### **Wages and salaries including social security contributions**

Wages and salaries including social security contributions mainly comprises wages and salaries. It also comprises social security contributions (principally related to France), expenses related to profit sharing schemes and tax income related to the *Crédit d'impôt pour la compétitivité et l'emploi* ("**CICE**") and the *Crédit d'Impôt Recherche* ("**CIR**"). Wages and salaries including social security contributions includes employees of our directly-owned stores and central services, and contributions to profit sharing and employee incentive schemes.

### **Other purchases and external expenses**

Other purchases and external expenses mainly covers rental costs, professional fees (consulting and audit fees, among others), maintenance and repair expenses, insurance premiums and other external expenses. Rental costs represent the most onerous line item in other purchases and external expenses and mainly comprise rent in respect of directly-owned stores, and to a lesser extent the rental costs associated with our offices. Other expenses mainly comprise payments for various third-party services, such as outsourcing of information systems, temporary workers and different expenses linked to the operation of stores (such as information technology or energy), management fees paid to certain shareholders, travel expenses, shipping and telecommunications expenses, and certain banking services. See "*—Factors affecting the comparability of our results of operations—Adoption of IFRS 16 (Leases)*".

### **Duties and taxes other than income tax**

Duties and taxes other than income tax includes taxes on salaries (mainly training taxes), social construction tax (contribution to social housing), social solidarity contribution (*contribution sociale de solidarité des sociétés*, "**C3S**"), which is based on a percentage of net sales, and real property tax, including the *Cotisation Foncière des Entreprises* ("**CFE**") and tax on commercial areas (*taxe sur les surfaces commerciales* – IBI). In Spain, duties and taxes other than income mainly includes property tax (*impuesto sobre bienes inmuebles* – IBI). In the Other countries segment, they mainly include customs duties related to the trading activity.

### **Depreciation, amortization and impairment**

Depreciation, amortization and impairment relates to regular depreciation and amortization of current and non-current assets and provisions for impairment. Depreciation, amortization and impairment includes the following items:

- depreciation of property, plant and equipment and right-of-use assets, mainly pertaining to directly-owned stores, in connection with the refurbishment of stores or the opening of new stores;
- amortization of intangible assets with determinable useful lives, such as intellectual property rights (other than our trademarks), and other information technology investments; and

- changes in provisions for current assets, particularly receivables, changes in inventories, changes in provisions for third-party and franchisee expenses, changes in provisions for litigation, changes in provisions for retirement benefits, changes in provisions for franchisee risks, such as the risk of goods being returned as part of our trading activities, and changes in provisions for retirement benefits.

### ***Operating income from ordinary activities***

Operating income from ordinary activities represents revenue generated by us, net of all recurring operating expenses.

### ***Other non-recurring operating items***

Other non-recurring operating items includes other items in the income statement which, due to their nature, amount or frequency, cannot be considered as part of our ordinary activities. These items primarily include: (i) proceeds from disposals of assets; (ii) reversal of, and charges to, exceptional provisions related to the impairment of assets, such as goodwill, trademarks and business and leasehold rights; (iii) provisions to cover expenses relating to litigation proceedings and provisions relating to rental payments on vacant premises; and (iv) costs incurred from the acquisition of new entities, or any other non-recurring income or expenses, that we present on a separate line to facilitate the reader's understanding of recurring operating performance and provide him/her with useful information to identify trends in the Issuer's financial performance.

### ***Operating profit***

Operating profit represents operating income from ordinary activities, net of other non-recurring operating items.

### ***Net financial income/(expense)***

Net financial income/(expense) consists of financial income less gross borrowing costs and financial expense. Financial income consists of income from other financial assets, other financial income and reversals of financial provisions, and interest on vendor loans granted to franchisees and interest charged to franchisees in the event of late payments. Gross borrowing costs include (i) interest on the Shareholder Bonds held by certain shareholders of the Issuer and other bonds, including the Existing Notes, and (ii) financial expense on lease liabilities and other financial expenses. Financial expense mainly includes: (i) financial provisions and (ii) miscellaneous financial expenses or income, including foreign exchange differences.

### ***Net income/(expense) before tax of consolidated companies***

Net income/(expense) before tax of consolidated companies comprises operating profit and net financial income/(expense).

### ***Tax income/(expense)***

Tax income/(expense) includes current taxes and deferred taxes. Current taxes corresponds to the income tax due, which is calculated using the tax rate in effect on the record date, adjusted for income tax payable in respect of prior years. Tax income/(expense) also includes the corporate value added tax (*cotisation sur la valeur ajoutée des entreprises*, the "CVAE"). It excludes the taxes presented within other operating income and expenses. The deferred tax amount shows the impact of temporary differences between the carrying amounts of assets and liabilities of consolidated companies and their respective taxable amounts that are used in determining the taxable profit of future periods by applying the tax rates in effect on the record date.

## THE FISCAL YEAR ENDED JULY 31, 2018 COMPARED TO THE FISCAL YEAR ENDED JULY 31, 2019

(in € millions)	For the fiscal year ended July 31,				
	2018	% of revenue	2019	% of revenue	% change
<b>Revenue</b> .....	<b>380.3</b>	<b>-</b>	<b>373.0</b>	<b>-</b>	<b>(1.9%)</b>
Cost of purchases .....	(201.2)	52.9%	(190.7)	51.1%	5.2%
Wages and salaries including social security contributions .....	(57.4)	15.1%	(55.8)	15.0%	2.7%
Other purchases and external expenses.....	(41.0)	10.8%	(41.1)	11.0%	(0.1)%
Duties and taxes other than income tax .....	(2.5)	0.7%	(2.2)	0.6%	14.4%
Depreciation, amortization and impairment .....	(12.4)	3.3%	(9.7)	2.6%	22.0%
<b>Operating income from ordinary activities</b> .....	<b>65.8</b>	<b>17.3%</b>	<b>73.4</b>	<b>19.7%</b>	<b>11.7%</b>
Other non-recurring operating items .....	(13.5)	3.5%	(8.7)	2.3%	35.8%
<b>Operating profit</b> .....	<b>52.3</b>	<b>13.8%</b>	<b>64.9</b>	<b>17.4%</b>	<b>24.0%</b>
Financial income.....	3.3	0.9%	2.2	0.6%	(33.3)%
Borrowing costs .....	(74.4)	19.6%	(53.9)	14.5%	(27.6)%
Other financial expense .....	(2.9)	0.8%	(3.8)	1.0%	31.0%
<b>Net financial income/(expense)</b> .....	<b>(73.9)</b>	<b>19.4%</b>	<b>(55.4)</b>	<b>14.9%</b>	<b>25.0%</b>
<b>Net (loss)/income before tax of consolidated companies</b> .....	<b>(21.6)</b>	<b>5.7%</b>	<b>9.4</b>	<b>2.5%</b>	<b>n/a</b>
Tax income/(expense) .....	16.0	4.2%	(1.4)	0.4%	n/a
<b>Net (loss)/income from continuing operations</b> .....	<b>(5.6)</b>	<b>1.5%</b>	<b>8.0</b>	<b>2.1%</b>	<b>n/a</b>
Net (loss)/income from discontinued operations .....	(2.4)	0.6%	(1.2)	0.3%	50.6%
<b>Net (loss)/income</b> .....	<b>(8.0)</b>	<b>2.1%</b>	<b>6.8</b>	<b>1.8%</b>	<b>n/a</b>

- (1) In the course of the fiscal year ended July 31, 2018, due to the disappointing performance of the Optimil discount banner in Spain and the difficulties encountered in implementing the various components of the franchisor's offer in the store network of the Optimil banner, we decided to initiate the sale of the Optimil banner and focus on the development of the Alain Afflelou banner in Spain. Negotiations for a potential sale of our subsidiary managing the Optimil banner started in early 2018 and the disposal was completed at the end of October 2018. As a consequence, our discount banner activities in Spain were treated as discontinued operations in the income statement of our audited consolidated financial statements for fiscal years ended July 31, 2018, 2019 and 2020. However, the Optimil activities were not treated as discontinued operations in our consolidated statement of cash flows for either period.

### Revenue

Revenue for the fiscal year ended July 31, 2019 decreased by €7.3 million, or 1.9%, from €380.3 million in the fiscal year ended July 31, 2018 to €373.0 million in the fiscal year ended July 31, 2019, mainly as a result of a technical change of our wholesale activity for frames, with no impact on profitability. This is due to a change in the supply chain resulting in a higher proportion of exclusive frames sold directly by the Group to our franchisees, meanwhile a small proportion of frames within the Tchin Tchin offer continue to be sold by lenses manufacturers. This change resulted in an apparent decline in the revenues of our wholesale activity of €10.0 million, mainly in France. Nevertheless, this activity grew broadly in line with network sales, driven in part by the success of our *Magic* offer. The Group's revenue was also marginally affected by lower revenues at our directly-owned stores structure in Spain following the reduction in its perimeter and lower revenues at our discount activity in France, also due to the reduction of its perimeter.

The following table sets forth a breakdown of our revenue by geographic segment for the periods indicated.

(in € millions, except percentages)	For the fiscal year ended July 31,			
	2018	2019	Change	% change
France .....	287.4	280.8	(6.6)	(2.3)%
Spain .....	79.3	77.4	(1.9)	(2.4)%
Other countries .....	13.7	14.8	1.1	8.0%
<b>Total</b> .....	<b>380.4</b>	<b>373.0</b>	<b>(7.4)</b>	<b>(1.9)%</b>

### **France**

Revenue generated in France decreased by €6.6 million, or 2.3%, from €287.4 million for the fiscal year ended July 31, 2018 to €280.8 million for the fiscal year ended July 31, 2019, mainly due to the technical impact on revenue recognition of our wholesale activity described above, for an approximate amount of €10 million. Revenues of our franchisor activities generally evolve consistently with our network, while the directly-owned stores business grew slightly to €69.3 million for the fiscal year ended July 31, 2019, as compared to €68.0 million for the fiscal year ended July 31, 2018, as a result of the strong performances of our existing directly-owned stores and despite the reduction in its perimeter.

### **Spain**

Revenue in Spain decreased by €1.9 million, or 2.4%, from €79.3 million for the fiscal year ended July 31, 2018 to €77.4 million for the fiscal year ended July 31, 2019, also due to the same decrease of directly-owned stores revenue described above of €1.9 million, to €40.3 million for the fiscal year ended July 31, 2019, as compared to €42.2 million for the fiscal year ended July 31, 2018, as a consequence of the further reduction in perimeter.

### **Other countries**

Revenue generated by the Other countries segment increased by €1.2 million, from €13.7 million for the fiscal year ended July 31, 2018 to €14.8 million for the fiscal year ended July 31, 2019. This change was mainly attributable to an increase in revenue generated in Belgium, stemming from the launch of a Belgian central purchasing unit for lenses at the end of 2017, and due generally to strong performances in Belux and Switzerland, where we have the same range of revenues as in France and Spain.

### **Cost of purchases**

The cost of purchases decreased by €10.4 million, or 5.2%, from €201.2 million for the fiscal year ended July 31, 2018 to €190.7 million for the fiscal year ended July 31, 2019. This evolution mainly related to the technical changes to the supply chain for our exclusive frames described above, which drove a significant decline in revenues and purchases. The rest of our cost of purchases increased at a lower level, in part due to the nature of our franchisor business (royalties and central listing fees do not generate purchase costs) and due in smaller part to a reduction of purchases at our directly-owned stores, which showed a gain in gross profit, and at Optical Discount, where the wholesale activity was reduced.

### **Wages and salaries including social security contributions**

Wages and salaries, including social security contributions decreased by €1.6 million, or 2.7%, from €57.4 million for the fiscal year ended July 31, 2018 to €55.8 million for the fiscal year ended July 31, 2019. Our headcount continued to decrease, going from 1,311 employees at July 31, 2018 to 1,284 employees at July 31, 2019, in line with the reduction in our directly-owned stores perimeter, from 170 stores at July 31, 2018 to 162 stores at July 31, 2019. Personnel costs decreased during the fiscal year ended July 31, 2019, due to a reduction of €1.7 million of personnel costs at our directly-owned stores. This reduction corresponded mainly to the reduction of the perimeter, while in the meantime, sales per employee grew, due largely to store performance. On the whole, store personnel costs in France and Spain represented 27.5% at July 31, 2019, as compared to 28.8% at July 31, 2018. In the rest of our activities, personnel costs increased at a lower rate than the network's activity after changes brought in the beginning of 2018 (top management, and network management), apart from our digital activity for which we are progressively building up a new team. More generally, the activity in our main areas benefitted from overall positive network performance, generating economies of scale especially where network performance was supported by strong like-for-like performance.

### **Other purchases and external expenses**

Other purchases and external expenses were stable at €41.1 million for the fiscal year ended July 31, 2019 from €41.0 million for the fiscal year ended July 31, 2018. Our expenses benefitted from a decrease of rental costs, representing €17.9 million for the fiscal year ended July 31, 2019, as compared to €19.4 million for the fiscal year ended July 31, 2018, while other charges increased more slowly than the network's activity, thanks to our efforts to rationalize expenses.

### **Duties and taxes other than income tax**

Duties and taxes other than income tax represented an expense of €2.2 million for the fiscal year ended July 31, 2019 from €2.5 million for the fiscal year ended July 31, 2018. This change was mainly linked to the reduction in the directly-owned stores perimeter.

### **Depreciation, amortization and impairment**

Depreciation, amortization and impairment represented a net expense of €9.7 million for the fiscal year ended July 31, 2019, €2.7 million below the expense at €12.4 million for the fiscal year ended July 31, 2018. Following a reversal of provisions on inventories and receivables on end customers, lower provisions on our franchisees receivables due to their good performances and reversals linked to the termination of transactions with certain franchisees, the Group recorded a strong decrease in the net provision of €1.7 million for the fiscal year ended July 31, 2019. In the meantime, due to the reduction in our directly-owned stores perimeter, the amortization on tangible assets declined by €1.0 million for the fiscal year ended July 31, 2019, despite the increase on intangible assets on the franchisor side, mainly linked to our digital transformation in relation to our IT systems.

### **Operating income from ordinary activities**

As a result of the factors discussed above, income from ordinary activities increased by €7.7 million, or 11.7%, from €65.8 million for the fiscal year ended July 31, 2018 to €73.5 million for the fiscal year ended July 31, 2019.

### **Other non-recurring operating items**

Other non-recurring operating items decreased by €4.8 million from €13.5 million for the fiscal year ended July 31, 2018 to €8.7 million for the fiscal year ended July 31, 2019. Over the fiscal year ended July 31, 2019, losses on sales and closures of stores net of the capital gain on the sale of our holding in Optivisão, represented €1.9 million, as compared to €1.3 million in the fiscal year ended July 31, 2018. Provisions for asset impairment excluding reversal on disposals and closures represented a charge of €2.1 million in the fiscal year ended July 31, 2019, as compared to €7.2 million in the fiscal year ended July 31, 2018, an improvement corresponding to store sales. Provisions on risk and contingencies, were limited to €0.2 million in the fiscal year ended July 31, 2019, as compared to €1.3 million in the fiscal year ended July 31, 2018. Lastly, the Group registered other charges for an amount of €4.5 million, including a cancelled refinancing for €1.9 million, in the fiscal year ended July 31, 2019, as compared to €3.7 million in the fiscal year ended July 31, 2018.

### **Operating profit**

As a result of the factors discussed above, operating profit increased by €12.6 million, or 24.0%, from €52.3 million for the fiscal year ended July 31, 2018 to €64.9 million for the fiscal year ended July 31, 2019.

### **Net financial income/(expense)**

Net financial expense decreased by €18.5 million, or 25.0%, from €73.9 million for the fiscal year ended July 31, 2018 to €55.4 million for the fiscal year ended July 31, 2019. Borrowing costs generated savings in cash for an amount of €2.1 million, corresponding to the average interest of our high yield debt that was refinanced in October 2017. The rest of the difference on our financial charges linked to our borrowing costs were non-cash, and mainly corresponded to the reduction by €150.0 million of our convertible bonds, after their conversion in the end of the fiscal year ended July 31, 2018. Other financial expense and financial income generated a net charge of €1.6 million in the fiscal year ended July 31, 2019, as compared to an income of €0.5 million in the fiscal year ended July 31, 2018, mainly due to a higher financial charge on foreign exchange linked to purchases of frames denominated in U.S. dollars and lower net reversal on financial provisions following the achievement of transactions with franchisees supporting debt towards the Group.

### **Net (loss)/income before tax of consolidated companies and tax expense**

As a result of the factors discussed above, the Group generated a net income of €9.4 million for the fiscal year ended July 31, 2019, from a loss of €21.6 million for the fiscal year ended July 31, 2018.

### **Tax income/(expense)**

We recorded a tax expense of €1.4 million for the fiscal year ended July 31, 2019, as compared to an income tax benefit of €16.0 million for the fiscal year ended July 31, 2018. The changes in both periods

mainly corresponded to the reduction in the rate of the income tax, which impacted our deferred tax expense with an increased income the year before, meanwhile, over the fiscal year ended July 31, 2019, income tax expenses were stable at €3.6 million, as compared to €3.7 million for the fiscal year ended July 31, 2018.

### Net income/(loss) from continuing operations

As a result of the factors discussed above, our result from continuing operations increased by €13.6 million, from a loss of €5.6 million in the fiscal year ended July 31, 2018 to an income of €8.0 million in the fiscal year ended July 31, 2019.

### Net income/(loss) from discontinued operations

As described above, the Group decided to dispose of its discount activities in Spain, which were historically managed under the Optimil brand, and completed the disposal of Optimil during the 2019 fiscal year. As a consequence, the Optimil activity was treated separately in discontinued operations and generated a net loss of €1.2 million for the fiscal year ended July 31, 2019, as compared to a loss of €2.4 million in the fiscal year ended July 31, 2018. The difference mainly comes from the depreciation in assets.

### Net income/(loss)

As a result of the factors discussed above, our net income increased by €14.8 million, from a loss of €8.0 million the fiscal year ended July 31, 2018 to an income of €6.8 million the fiscal year ended July 31, 2019.

### THE FISCAL YEAR ENDED JULY 31, 2019 COMPARED TO THE FISCAL YEAR ENDED JULY 31, 2020

(in € millions)	For the fiscal year ended July 31,						% change <sup>(*)</sup>
	2019	% of revenue	2020 (pre-IFRS 16)	% of revenue	2020 (post-IFRS 16)	% of revenue	
<b>Revenue</b> .....	<b>373.0</b>	<b>-</b>	<b>309.2</b>	<b>-</b>	<b>309.2</b>	<b>-</b>	<b>(17.1)%</b>
Cost of purchases.....	(190.7)	51.1%	(160.7)	52.0%	(160.7)	52.0%	15.8%
Wages and salaries including social security contributions.....	(55.8)	15.0%	(54.1)	17.5%	(54.1)	17.5%	3.1%
Other purchases and external expenses.....	(41.1)	11.0%	(39.3)	12.7%	(24.4)	7.9%	4.2%
Duties and taxes other than income tax.....	(2.2)	0.6%	(2.3)	0.7%	(2.3)	0.7%	(4.6)%
Depreciation, amortization and impairment .....	(9.7)	2.6%	(5.2)	1.7%	(17.9)	5.8%	46.6%
<b>Operating income from ordinary activities</b> .....	<b>73.5</b>	<b>19.7%</b>	<b>47.7</b>	<b>15.4%</b>	<b>49.9</b>	<b>16.1%</b>	<b>(35.1)%</b>
Other non-recurring operating items .....	(8.7)	2.3%	(1.8)	0.6%	(1.8)	0.6%	79.1%
<b>Operating profit</b> .....	<b>64.9</b>	<b>17.4%</b>	<b>45.9</b>	<b>14.8%</b>	<b>48.1</b>	<b>15.6%</b>	<b>(29.3)%</b>
Financial income/(expense) .....	2.2	0.6%	2.7	0.9%	3.8	1.2%	22.9%
Borrowing costs .....	(53.9)	14.5%	(54.1)	17.5%	(58.0)	18.8%	(0.4)%
Other financial expense .....	(3.8)	1.0%	(3.6)	1.2%	(3.6)	1.2%	(5.3)%
<b>Net financial income/(expense)</b> .....	<b>(55.4)</b>	<b>14.9%</b>	<b>(55.0)</b>	<b>17.8%</b>	<b>(57.8)</b>	<b>18.7%</b>	<b>0.8%</b>
<b>Net income/(loss) before tax of consolidated companies</b> .....	<b>9.4</b>	<b>2.5%</b>	<b>(9.1)</b>	<b>2.9%</b>	<b>(9.6)</b>	<b>3.1%</b>	<b>n/a</b>
Tax income/(expense) .....	(3.6)	1.0%	(2.7)	0.9%	(2.7)	0.9%	24.7%
Deferred tax.....	2.1	0.6%	1.5	0.5%	1.6	0.5%	30.0%
<b>Tax income/(expense)</b> .....	<b>(1.4)</b>	<b>0.4%</b>	<b>(1.2)</b>	<b>0.4%</b>	<b>(1.1)</b>	<b>0.4%</b>	<b>16.8%</b>
<b>Net income/(loss) from continuing operations</b> .....	<b>8.0</b>	<b>2.1%</b>	<b>(10.3)</b>	<b>3.3%</b>	<b>(10.7)</b>	<b>3.5%</b>	<b>n/a</b>
Net income/(loss) from discontinued operations ..	(1.2)	0.3%	0.1	0.0%	0.1	0.0%	n/a
<b>Net income/(loss)</b> .....	<b>6.8</b>	<b>1.8%</b>	<b>(10.1)</b>	<b>3.3%</b>	<b>(10.5)</b>	<b>3.4%</b>	<b>n/a</b>

(\*) 2020 pre-IFRS 16 compared to 2019.



## Revenue

Revenue decreased by €63.8 million, or 17.1%, from €373.0 million (for the fiscal year ended July 31, 2019) to €309.2 million for the fiscal year ended July 31, 2020, mainly as a result of the pandemic which strongly impacted network sales in March, April and May 2020. The deficit in Group revenues in the last quarter was due in large part to the lower level of sales in our directly-owned stores, which underperformed the rest of our network, due to a higher proportion of such stores being located in shopping centers and tourist areas, like our flagship store on the Champs Élysées in Paris. For the fiscal year ended July 31, 2020, the Spanish and French directly-owned stores recorded a decline of sales of €22.3 million or 20.4% as compared to the fiscal year ended July 31, 2019 (noting the further reduction to 151 stores as of July 31, 2020, as compared to 162 stores at July 31, 2019). The evolution of Group revenues, restated from those directly-owned stores, would represent a total decline of 15.7% at a comparable level with the total network sales, which declined by 14.8%.

The following table sets forth a breakdown of our revenue by geographic segment for the periods indicated.

(in € millions, except percentages)	For the fiscal year ended July 31,				
	2019	2020 (pre-IFRS 16)	2020 (post-IFRS 16)	Change	% change
France .....	280.8	232.9	232.9	(47.8)	(17.0)%
Spain .....	77.4	64.3	64.3	(13.1)	(16.9)%
Other countries .....	14.8	12.0	12.0	(2.8)	(18.9)%
<b>Total .....</b>	<b>373.0</b>	<b>309.2</b>	<b>309.2</b>	<b>(63.8)</b>	<b>(17.1)%</b>

### France

Group revenue in France declined €47.8 million, or 17.0%, from €280.8 million in the fiscal year ended July 31, 2019 to €232.9 million in the fiscal year ended July 31, 2020, due to the significant impact of COVID-19 and the network reduction on our directly-owned stores sales.

### Spain

Group revenue in Spain decreased by €13.1 million, or 16.9%, from €77.4 million for the fiscal year ended July 31, 2019 to €64.3 million for the fiscal year ended July 31, 2020, due to the significant impact of COVID-19 and perimeter reductions in our directly-owned stores network, as well as resulting from a slightly slower recovery than in France.

### Other countries

Revenue generated by the Other countries segment decreased by €2.8 million, or 18.9%, from €14.8 million for the fiscal year ended July 31, 2019 to €12.0 million for the fiscal year ended July 31, 2020. The primary reason for the decrease is the COVID-19 pandemic, with lower sales at our five directly-owned stores in Portugal, and a slower recovery in our Belgium network, which represents almost half of our network sales in the Other countries segment.

## Cost of purchases

Cost of purchases decreased by €30.1 million, or 15.8%, from €190.7 million for the fiscal year ended July 31, 2019 to €160.7 million for the fiscal year ended July 31, 2020. This evolution mainly related to COVID-19, with an impact consistent with that on network sales and Group revenues, with particular impacts felt at our directly-owned stores.

## Wages and salaries including social security contributions

Wages and salaries, including social security contributions decreased by €1.7 million, or 3.1%, from €55.8 million for the fiscal year ended July 31, 2019 to €54.1 million for the fiscal year ended July 31, 2020. Our headcount continued to decrease from 1,284 employees at July 31, 2019 to 1,215 employees at July 31, 2020, in line with the reduction in our directly-owned stores perimeter, from 162 stores at July 31, 2019 to 151 at July 31, 2020. Personnel costs at our directly-owned stores in France and Spain decreased during the fiscal year, with a reduction of €3.8 million, corresponding on one hand to the temporary lay-off procedures put in place for an approximate amount of €2 million, and on the other hand, mainly relating to perimeter reductions. The temporary layoff measures had their main impact during the third quarter of the fiscal year ended July 31, 2020; as a consequence, during the last quarter

of our fiscal year, our personnel costs increased, mainly corresponding to the increase of our teams in the franchise business and digital transformation business areas.

### **Other purchases and external expenses**

Other purchases and external expenses (pre-IFRS 16) decreased to €39.3 million for the fiscal year ended July 31, 2020 from €41.1 million for the fiscal year ended July 31, 2019. Our expenses benefitted from a decrease of rental costs, mainly due to the perimeter reduction of our directly-owned stores; negotiations with landlords around the initial confinement period had a very limited impact on rental costs (€1.0 million). Other purchases and external expenses (post-IFRS 16) amounted to €24.4 million. The total charge of rental costs represented €16.8 million for the fiscal year ended July 31, 2020, as compared to €17.9 million for the fiscal year ended July 31, 2019, of which €15.0 million was reclassified in depreciation on right of use assets and the rest as finance charges on leases.

### **Duties and taxes other than income tax**

Duties and taxes other than income tax represented an expense of €2.3 million for the fiscal year ended July 31, 2020, as compared to €2.2 million for the fiscal year ended July 31, 2019.

### **Depreciation, amortization and impairment**

Depreciation, amortization and impairment (pre-IFRS 16) represented a net expense of €5.2 million (€17.9 million post-IFRS 16) for the fiscal year ended July 31, 2020, €4.5 million below a net expense of €9.7 million for the fiscal year ended July 31, 2019. For the fiscal year ended July 31, 2020, the Group registered €4.2 million of net reversal of provisions, mainly on inventories and franchisees receivables, after the termination of transactions with certain former franchisees, as compared to a net provision of €1.7 million for the fiscal year ended July 31, 2019. On the other hand, the depreciation and amortization of our fixed assets grew by €1.4 million (pre-IFRS 16), following our digital transformation plan, meanwhile this flow slightly decreased at our directly-owned stores, due to the reduction of its perimeter.

### **Operating income from ordinary activities**

As a result of the factors discussed above, operating income from ordinary activities (pre-IFRS 16) decreased by €25.8 million, or 35.1%, from €73.5 million for the fiscal year ended July 31, 2019 to €47.7 million (€49.9 million post-IFRS 16) for the fiscal year ended July 31, 2020.

### **Other non-recurring operating items**

Other non-recurring operating items expense decreased by €6.9 million, from €8.7 million for the fiscal year ended July 31, 2019 to €1.8 million for the fiscal year ended July 31, 2020. For the fiscal year ended July 31, 2020, sales and closures of stores represented an income of €0.3 million, as compared to a charge of €1.9 million for the fiscal year ended July 31, 2019. Provisions for asset impairment excluding reversal on disposals and closures represented a charge of €1.3 million for the fiscal year ended July 31, 2020, as compared to €2.1 million for the fiscal year ended July 31, 2019, as a result of the reduction of the perimeter and the improvement of store sales (excluding the COVID-19 impact) and a depreciation on *Malentille.com* of €0.5 million, as compared to the fiscal year ended July 31, 2019. Provisions on risk and contingencies, were limited to €0.1 million for the fiscal year ended July 31, 2020, as compared to €0.2 million for the fiscal year ended July 31, 2019. Lastly, the other charges represented an amount of €0.7 million for the fiscal year ended July 31, 2020, including a gift of masks to the health authorities for €0.4 million, as compared to €4.5 million for the fiscal year ended July 31, 2019, including a cancelled refinancing for €1.9 million.

### **Operating profit**

As a result of the factors discussed above, operating profit (pre-IFRS 16) decreased by €19.0 million, or 29.3%, from €64.9 million for the fiscal year ended July 31, 2019 to €45.9 million (€48.1 million post-IFRS 16) for the fiscal year ended July 31, 2020.

### **Net financial income/(expense)**

Net financial expense (pre-IFRS 16) decreased by €0.4 million from €55.4 million for the fiscal year ended July 31, 2019 to €55.0 million (€57.8 million post-IFRS 16) for the fiscal year ended July 31, 2020, the difference corresponding to the finance charge on leases. Borrowing costs (pre-IFRS 16) generated grew by €0.2 million in the fiscal year ended July 31, 2020. Non-cash interest charge on our convertible bonds declined by €0.5 million, thanks to the early redemption of €52.0 million in the fiscal year ended July 31, 2019, as well as by €0.3 million following the redemption of €10.0 million of Existing Floating Rate Notes in June 2019. On the other hand, higher interest charges linked to the drawdown

of the Existing Revolving Credit Facility for four months and charges linked to the write off of historical debt towards franchisees, resulted in a slight increase of borrowing costs. Investment income and other financial expense generated savings of €0.6 million, corresponding mainly to a net reversal of provisions on franchisees, and a lower financial charge on foreign exchange linked to purchases of frames denominated in U.S. dollars (more favorable exchange rate of the euro versus dollar).

**Net income/(expense) before tax of consolidated companies and tax expense**

As a result of the factors described above, the Group generated a loss (pre-IFRS 16) of €9.1 million (loss of €9.6 million post-IFRS 16) for the fiscal year ended July 31, 2020, from an income of €9.4 million in the fiscal year ended July 31, 2019.

**Tax income/(expense)**

We recorded an income tax expense of €1.1 million for the fiscal year ended July 31, 2020 (pre-IFRS 16), as compared to an expense of €1.4 million for the fiscal year ended July 31, 2019. Over the fiscal year, income tax expenses decreased as a consequence of the decrease in our overall performance.

**Net income/(loss) from continuing operations**

As a result of the factors discussed above, our result from continuing operations decreased by €18.3 million, from an income of €8.0 million for the fiscal year ended July 31, 2019 to a loss of €10.3 million for the fiscal year ended July 31, 2020.

**Net income/(loss) from discontinued operations**

As described above, the Group made the decision to dispose of its discount activities in Spain, which were historically managed under the Optimil brand, and completed the disposal of Optimil during the 2019 fiscal year. As a consequence, the Optimil activity represented an income of €0.1 million for the fiscal year ended July 31, 2020 (corresponding to the final agreement on Optimil's disposal), as compared to a loss of €1.2 million in the fiscal year ended July 31, 2019.

**Net income/(loss)**

As a result of the factors discussed above, our net income decreased by €16.9 million, from an income of €6.8 million the fiscal year ended July 31, 2019 to a loss of €10.1 million for the fiscal year ended July 31, 2020 (pre-IFRS 16).

## THE SIX MONTHS ENDED JANUARY 31, 2020 COMPARED TO THE SIX MONTHS ENDED JANUARY 31, 2021

(in € millions, except percentages)	For the six months ended January 31,				
	2020	% of revenue	2021	% of revenue	% change
<b>Revenue</b> .....	<b>172.3</b>	<b>-</b>	<b>184.5</b>	<b>-</b>	<b>7.0%</b>
Cost of purchases.....	(84.0)	(48.8)%	(92.3)	(50.0)%	(9.8%)
Wages and salaries including social security contributions.....	(28.5)	(16.5)%	(29.3)	(15.9)%	(2.6%)
Other purchases and external expenses.....	(11.9)	(6.9)%	(11.2)	(6.1)%	5.9%
Duties and taxes other than income tax.....	(1.1)	(0.6)%	(1.2)	(0.7)%	(6.9%)
Depreciation, amortization and impairment.....	(10.4)	(6.0)%	(10.8)	(5.9)%	(3.7%)
<b>Operating income from ordinary activities</b> .....	<b>36.4</b>	<b>21.1%</b>	<b>39.8</b>	<b>21.6%</b>	<b>9.3%</b>
Other non-recurring operating items.....	0.1	0.1%	(3.0)	(1.6)%	n.a.
<b>Operating profit</b> .....	<b>36.5</b>	<b>21.2%</b>	<b>36.8</b>	<b>19.9%</b>	<b>0.6%</b>
Financial income.....	1.1	0.6%	1.0	0.5%	(9.7%)
Borrowing costs.....	(28.3)	(16.4)%	(31.7)	(17.2)%	(12.2%)
Other financial expense.....	(1.6)	(0.9)%	(1.4)	(0.8)%	12.6%
<b>Net financial income/(expense)</b> .....	<b>(28.7)</b>	<b>(16.7)%</b>	<b>(32.1)</b>	<b>(17.4)%</b>	<b>(11.7)%</b>
<b>Net income/(expense) before tax of consolidated companies</b> .....	<b>7.8</b>	<b>4.5%</b>	<b>4.6</b>	<b>2.5%</b>	<b>(40.3)%</b>
Tax income/(expense).....	(2.1)	(1.2)%	(2.4)	(1.3)%	(18.7%)
<b>Net income/loss from continuing operations</b> .....	<b>5.7</b>	<b>3.3%</b>	<b>2.2</b>	<b>1.2%</b>	<b>(61.5)%</b>
Net income/loss from discontinued operations.....	-	-	0.4	0.2%	n.a.
<b>Net income/(loss)</b> .....	<b>5.7</b>	<b>3.4%</b>	<b>2.6</b>	<b>1.4%</b>	<b>(54.3)%</b>

### Revenue

The following table sets forth a breakdown of our revenue by geographic segment for the periods indicated.

(in € millions, except percentages)	For the six months ended January 31,			
	2020	2021	Change	% change
France.....	127.5	140.3	12.8	10.1%
Spain.....	37.9	36.6	(1.3)	(3.5%)
Other countries.....	7.0	7.6	0.7	9.4%
<b>Total</b> .....	<b>172.3</b>	<b>184.5</b>	<b>12.1</b>	<b>7.0%</b>

Revenue increased to €184.5 million, or 7.0%, in the first half of the fiscal year ending July 31, 2021 from €172.3 million in the first half of the fiscal year ended July 31, 2020. This increase primarily occurred in the first three months of the period. In the second three months of the period, there was only a slight increase of Group revenue as compared to a network sales increase of 6.4% in the second quarter of the current fiscal year, is mainly due to the decrease of directly-owned store sales mainly in France and Spain, as a result of the confinement measures affecting a broad part of this perimeter. We recorded overall revenue growth of 11.3% excluding our directly-owned stores businesses in France and Spain.

### France

Revenue generated in France increased from €127.5 million to €140.3 million in the first half of the current fiscal year. This increase was primarily in the first three months of the period (with the second three months in the period experiencing only a slight increase) and stemmed from strong network performance, while directly-owned store sales declined by €0.7 million, as a consequence of the second confinement in late autumn 2020 and curfew measures implemented since mid-January 2021. The decrease in revenue in our directly-owned stores is mainly due to the proportion of stores located in large shopping centers or stores like at Champs Élysées that have been historically supported by high levels of traffic, which has been lacking since the start of the pandemic. Further, revenues at our hearing aid activities were €0.5 million lower than the same quarter of the prior fiscal year, due to the phasing of our communication. In the first half of the fiscal year, revenues increased by 10.1% versus the year before, at a closer level to the overall increase in network performance of 12.7%, mainly thanks to the

better performance of our directly-owned stores during the first quarter and an overall alignment of other businesses with the network improvement.

### **Spain**

Revenue in Spain decreased by €1.3 million, from €37.9 million in the first half of the fiscal year ended July 31, 2020 to €36.6 million in the first half of the fiscal year ending July 31, 2021. As in France, our directly-owned stores registered a sales decline of €0.6 million during the second quarter of the fiscal year ending July 31, 2021, stemming from confinement measures taken during late autumn 2020, which significantly impacted stores located in shopping centers and tourist areas, as well as a specific episode of heavy snowfall during mid-January 2021 in the Madrid region. Finally, as is the case in our hearing aid business in France, communication revenues (which include hearing aid devices) were lower than the same quarter of the prior fiscal year, due to the phasing of our communication, with a cumulative negative difference of €1.0 million on the first half of the current fiscal year.

### **Other countries**

Revenue generated by the Other countries segment increased by €0.7 million to €7.6 million for the first half of the year ending July 31, 2021 as compared to €7.0 million for the first half of the fiscal year ended July 31, 2020, with the increase being primarily the result of activity in the first three months of the period. The increase was driven by network sales growth of 2.7% during the quarter, combined with stronger revenues in Belgium, which showed resilient sales performance during the quarter, and more attenuated performances at our Portuguese owned stores, due in part to rapid spread of the pandemic since November 2020

### **Cost of purchases**

Cost of purchases for the first half of the current fiscal year grew by €8.3 million, or 9.8%, to €92.3 million, as compared to €84.0 million in the same period in the prior fiscal year, at a comparable level with the evolution of network sales.

### **Wages and salaries including social security contributions**

Wages and salaries including social security contributions increased by 2.6% from €28.5 million in the first half of the fiscal year ended July 31, 2020 to €29.3 million in the first half of the fiscal year ending July 31, 2021. The increase included €0.9 million of personnel charges which are linked to provisions on bonuses which will be paid to the managers only at exit of the controlling shareholders, but which was recorded in the second three months of the period. On the whole, our personnel costs excluding exit bonuses were stable during the first half of the current fiscal year, despite a total growth of network sales of 10.5%.

### **Other purchases and external expenses**

Other purchases and external expenses have decreased to €11.2 million for the first half of the current fiscal year, as compared with €11.9 million for the same period of the prior fiscal year. The decrease was €0.1 million for the second quarter of the period as compared to the same period in the prior fiscal year, notably due to lower expenses linked to the management of our network, including travel expenses. As was the case during the second quarter, the improvement of other purchases and external expenses during the first half of the current fiscal year was mainly linked to lower expenses as a result of the COVID-19 pandemic.

### **Duties and taxes other than income tax**

Duties and taxes other than income tax increased slightly during the first half of the current fiscal year to an expense of €1.2 million, as compared with €1.1 million in the same period in the prior fiscal year.

### **Depreciation, amortization and impairment**

Depreciation, amortization and impairment represented an expense of €10.8 million for the first half of the fiscal year ending July 31, 2021 as compared with an expense of €10.4 million for the same half of the prior fiscal year. Amortization of assets grew by €1.1 million during the first half of the fiscal year, mainly as a consequence of our digital transformation plan, while depreciation of assets in our directly-owned stores were almost stable during the first half of the current fiscal year, versus the same period a year before. On the other hand, during the first half of the fiscal year ending July 31, 2021, we registered a net reversal of provisions of €0.9 million compared to a net reversal of provisions of €0.2 million in the same period the year before. These reversals of provisions mainly correspond to an increase of €0.9 million on net reversals of provisions on franchisees' debt in France for the first half of this fiscal year,

thanks to the improvement of the risk on those franchisees (debt reduction and refinancing by those franchisees).

### **Operating income from ordinary activities**

As a result of the factors discussed above, income from ordinary activities grew by €3.4 million, to €39.8 million in the first half of the current fiscal year from €36.4 million in the same period of the prior fiscal year, despite a decrease in the second quarter compared to the same quarter in the prior year.

### **Other non-recurring operating items**

Other non-recurring operating items represented a loss of €3.0 million for the first half of the current fiscal year as compared to an income of €0.1 million in the same period of the prior fiscal year. In addition to the charges related to the termination of the agreement with the former CEO during the second quarter of the current fiscal year and charges on goodwill at our directly-owned stores, we recorded a loss mainly linked to the closure of a directly-owned store of €0.6 million for the first quarter of the fiscal year ending July 31, 2021, versus a net income of €0.6 million in the same period of the prior year.

### **Operating profit**

As a result of the factors discussed above, operating profit increased by €0.2 million to €36.8 million in the first half of the current fiscal year from €36.5 million in the same period of the prior fiscal year, despite a decrease in the second quarter compared to the same quarter in the prior year.

### **Net financial income/(expense)**

During the first half of the fiscal year ending July 31, 2021, net financial expense increased to €32.1 million versus €28.7 million in the same period a year before, mainly as a consequence of the increase of €3.0 million in non-cash interest charges on the Shareholder Bonds and a loss on a financial debt of a former franchisee, which was fully provisioned.

### **Net income/(expense) before tax of consolidated companies**

Net income before tax of consolidated companies decreased to a net income of €4.6 million for the first half of the current fiscal year as compared with a net income of €7.8 million for the same period of the prior fiscal year.

### **Tax income/(expense)**

We recorded a tax expense of €2.4 million in the first half of the current fiscal year, as compared with tax expense of €2.1 million in the same period of the prior fiscal year, reflecting a slight decrease in income tax expense, which was more than offset by deferred tax charges generated during the period (as compared to deferred tax income generated in the same period in the prior fiscal year).

### **Net income/(loss) from continuing operations**

As a result of the factors discussed above, our net income from continuing operations decreased to €2.2 million for the first half of the current fiscal year, as compared to €5.7 million in the same period in the prior fiscal year, due to a slight loss in the second quarter.

### **Net income/(loss) from discontinued operations**

In the first half of the current fiscal year, net income from discontinued operations amounted to €0.4 million, corresponding to the final agreement on Optimil's disposal, versus nil in the same period the year before.

### **Net income/(loss)**

As a result of the factors discussed above, we recorded an income of €2.6 million for the first half of the year ending July 31, 2021, as compared to an income of €5.8 million in the same period of the previous fiscal year, due to a slight net loss in the second quarter.

## **LIQUIDITY AND CAPITAL RESOURCES**

Historically, our liquidity requirements have arisen primarily from the need to service our indebtedness, finance working capital, fund the expansion of our store network, finance acquisitions and pay taxes.

Prior to the Offering, our sources of liquidity have historically consisted mainly of the following:

- issuances of debt consisting of prior issuances of high yield notes and borrowings under the Existing Revolving Credit Facility and the PGE;
- shareholder injections in the form of the Shareholder Bonds;
- certain other bilateral credit facilities permitted sales of discounted receivables from franchisees (cessions Dailly), finance leases and factoring of CICE- and CIR-related receivables; and
- cash generated from operating activities.

Following the Offering, our principal sources of liquidity will be cash flow from operating activities and the New Revolving Credit Facility. The Group's franchise/asset-light model generates strong levels of operating cash flows, with only limited working capital and capital expenditure requirements. The majority of our indebtedness will be represented by the Notes offered hereby and, at the Issuer-level, the Shareholder Bonds. Additionally, we will continue to access certain uncommitted short-term discount lines (assignment of trade receivables), overdrafts, medium-term bilateral loans and financial leases as business needs dictate, in particular for store renovations (mainly for directly-owned stores) and key money. Finally, the Group will maintain a network of directly-owned stores and will consequently have lease arrangements on its owned stores and certain administrative premises, representing total right of use assets under IFRS 16 of €64.1 million, and lease debt, net of sublease arrangements, of €67.7 million as of January 31, 2021. See "*Capitalization*" and "*Description of Certain Other Indebtedness and Other Arrangements*".

The sources of our working capital requirements include:

- requirements relating to sales of goods in our wholesale activity with our networks. In connection with our exclusive frames trading business and central purchasing unit sales, we recognize significant trade receivables in relation to our franchisees as well as in relation to our partners distributing the exclusive frames. The redistribution of the frames to franchisees via the logistics platform in Hong Kong ties up significant funds, given the quantities stored locally in order to efficiently serve all networks. This creates a substantial trade receivable with respect to said supplier in light of the volumes required to ensure that goods are redistributed to franchisees without the risk of stock outs. Furthermore, optical sales to end-consumers via directly-owned stores in France generate customer credit for an estimated period of between 15 days and one month following the sale, due to the third-party payment system that is used in the French optical sector (*tiers payant*);
- inventories, mainly in directly-owned stores. Inventories may vary depending on the arrival of new collections, particularly with regard to sunglasses. We also store products to be sold to franchisees as part of the rollout of new collections; and
- requirements generated by central listing and payment unit arrangements, whereby we pay suppliers on behalf of franchisees. Such mechanisms normally generate a time lag of 15 days to 1 month between payment to suppliers and payment by franchisees in respect of the goods concerned. In addition, in the event of late payments, we sometimes grant franchised stores more flexible payment deadlines, which further increases working capital requirements.

## Analysis of consolidated cash flows

The following table summarizes our cash flows during the fiscal years ended July 31, 2018, 2019 and 2020 and during the six months ended January 31, 2020 and 2021.

	For the fiscal year ended July 31,				For the six months ended January 31,	
			2020	2020		
	2018	2019	(pre-IFRS 16)	(post-IFRS 16)	2020	2021
<i>(in € millions)</i>						
Net cash from operating activities .....	69.4	86.2	43.6	58.8	42.9	68.1
Net cash used in investing activities.....	(10.7)	(8.2)	(13.1)	(9.3)	(1.8)	(8.9)
Net cash from/(used in) financing activities .....	(56.5)	(79.8)	10.7	(8.4)	(18.6)	(18.7)
<b>Net change in cash .....</b>	<b>2.2</b>	<b>(1.8)</b>	<b>41.2</b>	<b>41.2</b>	<b>22.5</b>	<b>40.5</b>
Cash and cash equivalents at beginning of period .....	35.2	37.5	35.7	35.7	35.7	76.9
Cash and cash equivalents at end of period ...	37.5	35.7	76.9	76.9	58.2	117.4

### Cash flow from operating activities

The following table sets out the cash flows resulting from operating activities in the fiscal years ended July 31, 2018, 2019 and 2020 and during the six months ended January 31, 2020 and 2021.

	For the fiscal year ended July 31,				For the six months ended January 31,	
			2020	2020		
	2018	2019	(pre-IFRS 16)	(post-IFRS 16)	2020	2021
<i>(in € millions)</i>						
Cash flow before borrowing costs .....	73.4	74.5	50.7	65.7	45.9	48.2
Income tax paid	(3.6)	(4.8)	(4.3)	(4.3)	(2.9)	(1.3)
Change in working capital requirements .....	(0.4)	16.5	(2.7)	(2.6)	(0.2)	21.2
<b>Net cash from operating activities.....</b>	<b>69.4</b>	<b>86.2</b>	<b>43.6</b>	<b>58.8</b>	<b>42.9</b>	<b>68.1</b>

In the fiscal year ended July 31, 2018, net cash from operating activities amounted to €69.4 million. This reflected cash flow before borrowing costs of €73.4 million, which was partially offset by a negative €0.4 million change in working capital requirements and income tax paid of €3.6 million.

In the fiscal year ended July 31, 2019, net cash from operating activities amounted to €86.2 million. This reflected cash flow before borrowing costs of €74.5 million, slightly above the previous fiscal year, partially offset by a higher change in working capital requirements at €16.5 million and income tax paid of €4.8 million.

In the fiscal year ended July 31, 2020, net cash from operating activities amounted to €58.8 million on a post-IFRS basis. This reflected cash flow before borrowing costs of €65.7 million, a decrease from the previous fiscal year, partially offset by a lower change in working capital requirements at negative €2.6 million and income tax paid of €4.3 million.

In the six months ended January 31, 2021, net cash from operating activities amounted to €68.1 million. This reflected cash flow before borrowing costs of €48.2 million, an increase from the six months ended January 31, 2020, along with increased change in working capital requirements at €21.2 million and income tax paid of €1.3 million.



### Cash flow before borrowing costs

The following table sets out cash flow before borrowing costs in the fiscal years ended July 31, 2018, 2019 and 2020 and during the six months ended January 31, 2020 and 2021.

	For the fiscal year ended July 31,				For the six months ended January 31,	
	2018	2019	2020	2020	2020	2021
			(pre-IFRS 16)	(post-IFRS 16)		
<i>(in € millions)</i>						
Total net income/(loss).....	(8.0)	6.8	(10.1)	(10.5)	5.8	2.6
Net depreciation and amortization and provisions .....	20.7	(4.1)	4.9	17.6	10.4	11.3
Capital gains and losses on disposals .....	3.5	7.5	0.6	0.6	(0.1)	0.7
Tax expense including deferred taxes.....	(17.2)	2.2	1.2	1.1	2.1	2.4
Other investment income .....	-	-	-	1.1	(0.4)	(0.5)
Borrowing costs .....	74.4	53.9	54.1	58.0	28.3	31.7
<b>Cash flow before borrowing costs .....</b>	<b>73.4</b>	<b>74.5</b>	<b>50.7</b>	<b>65.7</b>	<b>45.9</b>	<b>48.2</b>

In the fiscal year ended July 31, 2018, cash flow before borrowing costs amounted to €73.4 million, compared to €66.7 million in the fiscal year ended July 31, 2017. Cash flow before borrowing costs, as compared to operating performance as measured at the Adjusted EBITDA level amounting to €79.0 million, was mainly impacted by the recurring monitoring fees to our shareholders for €1.1 million, and a few exceptional items (including the Optimil operating loss), which accounted for €0.9 million and other exceptional expenses mainly related to the financial structure of the Group.

In the fiscal year ended July 31, 2019, cash flow before borrowing costs amounted to €74.5 million, as compared to €73.4 million in the fiscal year ended July 31, 2018. Cash flow before borrowing costs, as compared with operating performance as measured at the EBITDA level amounting to €83.8 million, was mainly impacted by recurring monitoring fees paid to our shareholders in amount of €1.1 million and certain exceptional items, of which the Optimil operating loss accounted for €0.7 million and other exceptional expenses mainly linked to a transaction relating to the Group's financial structure which was ultimately abandoned.

In the fiscal year ended July 31, 2020, cash flow before borrowing costs amounted to €50.7 million (€65.7 million post-IFRS 16), as compared to €74.5 million in the fiscal year ended July 31, 2019. Cash flow before borrowing costs, as compared with operating performance as measured at the EBITDA level amounting to €55.6 million, was mainly impacted by management exit bonuses and monitoring fees for €2.5 million, other financial charges for €1.2 million and certain other exceptional items.

In the six months ended January 31, 2021, cash flow before borrowing costs amounted to €48.2 million, compared to €45.9 million for the same period in the prior year. Cash flow before borrowing costs grew by €2.3 million compared to an increase in Adjusted EBITDA of €4.7 million, for the same period in the prior year. The difference mainly comes from management exit bonuses, and the impact of the departure of our former CEO in the first half of the fiscal year ending July 31, 2021.

### Change in working capital requirements

The following table sets out changes in working capital requirements in the fiscal years ended July 31, 2018, 2019 and 2020 and during the six months ended January 31, 2020 and 2021.

	For the fiscal year ended July 31,				For the six months ended January 31,	
	2018	2019	2020		2020	2021
			(pre-IFRS 16)	(post-IFRS 16)		
<i>(in € millions)</i>						
(Increase)/decrease in inventories .....	1.4	-	2.5	2.5	(3.7)	(1.2)
(Increase)/decrease in receivables .....	1.5	17.8	(16.5)	(16.5)	-	20.4
Increase/(decrease) in liabilities .....	(2.8)	(0.4)	10.3	10.5	0.7	2.0
Deferred income and expense .....	(0.4)	(0.9)	1.0	1.0	2.8	-
<b>Change in working capital requirements .....</b>	<b>(0.4)</b>	<b>16.5</b>	<b>(2.7)</b>	<b>(2.7)</b>	<b>(0.2)</b>	<b>21.2</b>

In the fiscal year ended July 31, 2018, change in working capital requirements was substantially stable, with a positive cash flow of €0.4 million. This was mainly attributable to:

- lower accounts receivable, linked to network sales performance which resulted in better payment regularity of our franchisees; thus, the growth of our activity did not generate further large working capital requirements; and
- inventories have been slightly reduced, partly because of the reduction in our directly-owned stores network.

In the fiscal year ended July 31, 2019, change in working capital generated a strong positive flow of €16.5 million, due to several factors:

- The main factor was the change in the supply of our exclusive frames for franchisees, part of which is now directly managed by our wholesale business, which represented a decline in receivables on exclusive products of €9.0 million. This was partially offset by the impact of the reduction of our directly-owned stores structure.
- Receivables at our franchisees decreased thanks to the improvement in the payment regularity of our franchisees.
- The reduction in the directly-owned stores perimeter and better management in our owned stores generated a further decrease in our receivables with end customers, through private health insurers.

In the fiscal year ended July 31, 2020, change in working capital generated an outflow of €2.7 million (as compared to an inflow of €16.5 million in the fiscal year ended July 31, 2019):

- The main factor in this change was the support provided to our franchisees during the first COVID-19 confinement period. As of July 31, 2020, €25.7 million was outstanding in connection with grants to franchisees.
- In the context of COVID-19, the French Government authorized companies to delay certain social charges payments, which represented an amount of €1.5 million at the end of the fiscal year ended July 31, 2020.
- Due to pending discussions around temporary rents during the confinement period, certain payments due to our landlords remained open, for an amount of €1.7 million as of July 31, 2020.

In the first half of the fiscal year ending July 31, 2021, changes in working capital requirements amounted to a cash inflow of €21.2 million, compared to a cash outflow of €0.2 million in the same period the year before. As was the case in the first half of the fiscal year ended July 31, 2020, inventories grew by €1.2 million, due to the increase of inventories of exclusive frames and sunglasses before the Lunar New Year in China, and larger amounts of inventories kept at our directly-owned stores. The main impact on our working capital requirements stems from a reduction in our receivables, with the repayment €13.1 million of the support given to our franchisees during the first confinement in spring 2020, from a position of €25.7 million at the end of the past fiscal year. Also, due to strong sales in our

network, our franchisees were able to repay other debt, for an overall amount of €1 million. Finally, receivables decreased as of January 31, 2021, as a consequence of the high position at July 31, 2020, following the strong rebound of sales in June and July 2020. On the other hand, our trade payables were maintained at a high level, due to the phasing of our communication. Lastly, trade payables recorded €2.7 million of suspended payments (mainly on rents, as part of discussions with real estate companies for our shopping center premises) as compared to €1.7 million of payments delayed as of July 31, 2020.

#### *Income tax paid*

In the fiscal year ended July 31, 2018, income tax paid amounted to €3.6 million.

In the fiscal year ended July 31, 2019, income tax paid amounted to €4.8 million.

In the fiscal year ended July 31, 2020, income tax paid amounted to €4.3 million.

In the first half of the year ending July 31, 2021, income tax paid was €1.3 million, as compared with €2.9 million in the same period of the prior fiscal year. The difference is mainly due to a regularization of an excess payment on income tax paid the year before at our Swiss branch.

#### **Cash used in investing activities**

The following table sets out our cash flows used in investing activities in the fiscal years ended July 31, 2018, 2019 and 2020 and during the six months ended January 31, 2020 and 2021.

	For the fiscal year ended July 31,				For the six months ended January 31,	
	2018	2019	2020	2020	2020	2021
			(pre-IFRS 16)	(post-IFRS 16)		
<i>(in € millions)</i>						
Purchases of intangible assets .....	(5.1)	(5.9)	(8.0)	(8.0)	(3.2)	(4.2)
Purchases of property, plant and equipment.....	(7.0)	(5.1)	(10.4)	(10.4)	(2.8)	(4.5)
Proceeds from disposals of intangible assets and property, plant and equipment .....	3.2	5.2	6.6	6.6	2.9	(1.6)
Purchases of investments.....	(3.7)	(2.8)	(4.7)	(4.7)	(2.8)	(1.1)
Proceeds from disposals of investments.....	3.1	2.6	2.9	2.9	1.7	0.9
Payments received under sublease agreements.....	-	-	-	2.9	1.4	1.5
Interest received under sublease agreements ..	-	-	-	0.9	0.4	0.5
Purchases of subsidiaries net of cash acquired	(1.2)	(2.2)	0.6	0.6	0.6	(0.5)
<b>Net cash used in investing activities.....</b>	<b>(10.7)</b>	<b>(8.2)</b>	<b>(13.1)</b>	<b>(9.3)</b>	<b>(1.8)</b>	<b>(8.9)</b>

In the fiscal year ended July 31, 2018, investing activities represented an outflow of €10.7 million and included

- an outflow of €5.1 million relating to purchases of intangible assets, relating mainly to purchases of business assets, corresponding to stores bought back from franchisees for €2.0 million, and set-up costs and IT system upgrade and maintenance costs of €3.1 million, notably linked to our digital transformation plan;
- an outflow of €7.0 million relating to purchases of property, plant and equipment, of which €3.9 million related to our directly-owned stores structure (mainly on maintenance capital expenditure on existing stores, including the refurbishment of the Champs Elysées store), the rest being spread mainly over our offices (headquarters settlement in Belgium, furniture, new vehicles fleet);
- an inflow of €3.2 million relating to disposals of tangible and intangible assets, mainly corresponding to the disposal of certain directly-owned stores, for a global amount of €2.6 million, of which €1.6 million was in France and €1.0 million was in Spain;
- a net outflow of €0.6 million relating to investments, mainly corresponding to the balance between long-term commitments granted to franchisees (vendor credits and loans linked

to the sale of directly-owned stores, and long-term investments supporting franchisees through our financial support program called "Project Adelante") and the reimbursement of such commitments by our franchisees; and

- purchase of subsidiaries which represented an outflow of €1.2 million, mainly corresponding to earn-out payments to former shareholders of Optical Discount.

In the fiscal year ended July 31, 2019, investing activities represented an outflow of €8.2 million, as compared to an outflow of €10.7 million in the fiscal year ended July 31, 2018, and included:

- an outflow of €5.9 million relating to purchases of intangible assets, relating mainly to purchases of business assets, corresponding to stores bought back from franchisees for €2.2 million, and set-up costs and IT system upgrade and maintenance costs of €3.7 million, notably linked to our digital transformation plan;
- an outflow of €5.1 million related to purchases of property, plant and equipment, which again include expenses at the franchisor's level, with maintenance expenditures, and other expenses linked to our digital transformation, for €2.9 million, while expenses at our directly-owned stores represented €2.2 million;
- an inflow of €5.2 million mainly relating to disposals of tangible and intangible assets, mainly corresponding to the disposal of certain directly-owned stores;
- a net outflow of €0.2 million relating to investments, mainly corresponding to the balance between long-term commitments granted to franchisees (vendor credits and loans linked to the sale of directly-owned stores, and long-term investments supporting franchisees through our Adelante program) and the reimbursement of such commitments by our franchisees; and
- purchase of subsidiaries which represented an outflow of €2.2 million, including earn-out payments to former shareholders of Optical Discount, cash settlements for the sale of Optivisão to Brodheim, and purchases of stores to franchisees through acquisition of companies operating those stores.

In the fiscal year ended July 31, 2020, investing activities represented an outflow of €13.1 million (€9.3 million, on a post-IFRS 16 basis), as compared to an outflow of €8.2 million in the fiscal year ended July 31, 2019, and included:

- an outflow of €8.0 million on purchases of intangible assets, relating mainly to set-up costs and IT system upgrade and maintenance costs of €7.0 million during the year, linked to our digital transformation plan;
- an outflow of €10.4 million related to purchases of property, plant and equipment, which again include expenses for €5.6 million at the franchisor's level in France and Spain, mainly corresponding to our digital transformation, and €4.8 million of expenses at our directly-owned stores also in France and Spain;
- an inflow of €6.6 million mainly relating to disposals of tangible and intangible assets, mainly corresponding to the disposal of certain directly-owned stores;
- a net outflow of €1.8 million relating to investments, mainly corresponding to the balance between long-term commitments granted to franchisees (vendor credits and loans linked to the sale of directly-owned stores, and long-term investments supporting franchisees through our Adelante program) and the reimbursement of such commitments by our franchisees;
- payments in relation to sub-lease agreements, for an amount of €3.8 million (post-IFRS 16), which has its counterparty in the debt service related to right of use assets in financing activities; and
- an inflow of €0.6 million mainly related to cash settlements for the sale of our stake in Optivisão to Brodheim, and purchases of stores to franchisees through acquisition of companies operating those stores.

In the first half of the fiscal year ending July 31, 2021, investing activities represented an outflow of €8.9 million, as compared to an outflow of €1.8 million in the first half of the fiscal year ended July 31, 2019. This included:

- an outflow of €4.2 million on purchases of intangible assets, relating mainly to set-up costs and IT system upgrade and maintenance costs linked to our digital transformation;
- a cumulative outflow of €6.0 million related to net purchases of property, plant and equipment and disposals of such assets, including the outflows linked to tangible and intangible assets under construction and expenses related to our digital transformation plan; this included €2.9 million of expenses at the franchisor level in France and Spain, mainly corresponding to our digital transformation plan and €3.1 million of net expenses at our directly-owned stores, of which around €2.1 million corresponded to maintenance costs of existing stores, the rest being either costs of openings or tangible assets of stores that we bought back;
- a net outflow (aggregating purchase and proceeds of investments, and purchase of subsidiaries net of cash acquired) of €0.6 million relating to investments, corresponding to the balance between long-term commitments granted to franchisees (vendor credits and loans linked to the sale of directly-owned stores and long-term investments supporting franchisees through our Adelante program) and the reimbursement of such commitments by our franchisees and the purchase of subsidiaries which correspond to the final settlement of the resale of Optivisão shares (€0.5 million) and the acquisition by our directly-owned stores network of a company operating a store (negative €0.9 million); and
- payments in relation to sub-lease agreements for €1.9 million (post-IFRS 16), which has its counterpart in the debt service related to right of use assets in financing activities at a similar level as in the same period the year before.

### **Cash used in financing activities**

The following table sets out the cash flows relating to our financing activities in the fiscal years ended July 31, 2018, 2019 and 2020 and during the six months ended January 31, 2020 and 2021.

	For the fiscal year ended July 31,				For the six months ended January 31,	
			2020			
	2018	2019	2020 (pre-IFRS 16)	2020 (post-IFRS 16)	2020	2021
<i>(in € millions)</i>						
Borrowings.....	425.3	1.0	30.1	30.1	-	-
Repayment of loans.....	(452.5)	(62.6)	(0.7)	(0.7)	(0.6)	(0.2)
Repayment of lease liabilities.....	-	-	-	(15.5)	(7.8)	(7.6)
Interest paid on lease liabilities .....	-	-	-	(3.5)	(1.4)	(2.0)
Other financial expense paid.....	-	-	(0.1)	(0.1)	-	(0.1)
Debt issuance costs.....	(5.4)	-	-	-	-	-
Net interest paid.....	(23.8)	(18.1)	(18.7)	(18.7)	(8.8)	(8.9)
<b>Net cash from/(used) in financing activities.....</b>	<b>(56.5)</b>	<b>79.8</b>	<b>10.7</b>	<b>(8.4)</b>	<b>(18.6)</b>	<b>(18.7)</b>

In the fiscal year ended July 31, 2018, financing activities represented an outflow of €56.5 million including, mainly, (i) €15 million of net repayment after the refinancing of the previous issuance of senior secured notes in an aggregate principal amount of €365 million and senior notes in an aggregate principal amount of €75 million, which were replaced by the Existing Notes in an aggregate principal amount of €425 million, (ii) the reimbursement of Shareholder Bonds in an amount of €11.4 million, (iii) €5.4 million for the debt issuance costs and interest charges on the Existing Notes and (iv) payment of cash interest. The cash interest payment corresponds to accrued interest at the time of repayment in October 2017 of our previous series of notes, plus interest paid quarterly on the Existing Notes (quarterly payments for the €175 million aggregate principal amount of Existing Floating Rate Notes, and semi-annual payments for the €250 million aggregate principal amount of Existing Fixed Rate Notes).

In the fiscal year ended July 31, 2019, net cash used in financing activities represented an outflow of €79.8 million. It included the following key items:

- repayments of loans for €62.6 million, of which reimbursements of convertible bonds for €7.3 million (September 2018) and €44.7 million (July 2019) and the reimbursement of €10

million of the Existing Notes, reducing our high yield debt to €415 million as of July 31, 2019, as compared to €425 million in the fiscal year ended July 31, 2018; and

- interest paid of €18.1 million, of which €17.3 million was for the servicing of the Existing Notes.

In the fiscal year ended July 31, 2020, net cash used in financing activities represented an inflow of €10.7 million (on a pre-IFRS 16 basis; an outflow of €8.4 million on a post-IFRS 16 basis). It included the following key items:

- new debt in an amount of €30.1 million, mainly corresponding to the government-backed loan *Prêt Garanti par l'Etat* for €30 million, which was drawn in mid-July 2020 for a period of one year and which is renewable for up to five years;
- repayments of loans for €0.7 million, mainly corresponding to debt of companies operating stores bought back from franchisees and repayment of loans (post-IFRS 16), for a total amount of €16.2 million including the repayment of right of use assets under IFRS 16, for a cumulative amount of €15.5 million, including sub-lease agreements; and
- interest paid of €18.7 million (pre-IFRS 16), of which €16.9 million was for servicing the Existing Notes and the difference from the year before corresponds mainly to the utilization of the Existing Revolving Credit Facility for four months and interest paid for €22.2 million (post-IFRS 16), including the interest paid on lease liabilities in an amount of €3.5 million.

In the first half of the year ending July 31, 2021, financing activities represented an outflow of €18.7 million, as compared to €18.6 million for the same period of the prior fiscal year, which corresponds to the interest on the Existing Notes (€8.5 million for each period) and the impact of lease liability repayment and related financial charges paid during each period.

### Contractual commitments

As of January 31, 2021, consolidated total principal amount of debt of the Issuer and its subsidiaries amounted to €556.6 million and consisted mainly of the Existing Notes, intercompany debt and the Shareholder Bonds. The following table summarizes our total contractual obligations and commitments as of January 31, 2021, giving effect to the Transactions, sorted by the year in which they are due to mature. It does not include accrued interest. It does not include (i): non-recourse factoring that is off-balance sheet and recourse discount lines that typically are paid intra-month (and in any case within 60 days) as further described under "—Off-balance sheet commitments" and (ii) miscellaneous other debt in the amount of €3.9 million as of January 31, 2021 which is composed of accrued interest.

(millions of €)	Less than 1 year	1-4 years	4-6 years	more than 6 years	Total
Notes offered hereby .....	—	—	—	485.0	485.0
Revolving Credit Facility .....	—	—	—	—	—
Shareholder Bonds .....	—	—	—	54.3	54.3
<b>Total .....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>539.3</b>	<b>539.3</b>

### Off-balance sheet commitments

Off-balance sheet commitments of the Issuer are described in note 6.6.1 to the audited consolidated financial statements for the fiscal years ended July 31, 2018, 2019 and 2020 included elsewhere in this Offering Memorandum. No significant changes in off-balance sheet commitments are to be noted for the six months ended January 31, 2021 as compared to July 31, 2020.

As of the Issue Date, the Issuer's assets will consist largely of its direct and indirect interest in the share capital of 3ABOD, the 3AB Optique Développement Proceeds Loan and the Alain Afflelou Franchiseur Proceeds Loan and its liabilities will be limited to the Notes, guarantees under the Revolving Credit Facility Agreement and the Shareholder Bonds, the last of which, by their terms, will be expressly subordinated to the Notes. The Issuer will not have any material off-balance sheet commitments, other contingent liabilities or contractual commitments.

Secured loans are part of our overall borrowing capacity. For such operations, we are involved in these transactions in our capacity as guarantor to these banks for the financing they provide to franchisees in the proportion of 100% of each application for financing, with a maximum exposure of up to approximately 30% of a contractually-agreed cap for each facility.

In addition, we also engage in opportunistic factoring transactions with factoring providers on a recourse basis pursuant to which receivables due from franchisees are sold at a discount to such factoring providers. We also engage in opportunistic factoring transactions with factoring providers on a non-recourse basis pursuant to which receivables due from the French state related to CIR tax credits are sold. These transactions are made pursuant to one-off factoring transactions entered into when management determines it can improve our net working capital.

We have access to uncommitted discount receivables lines (*cessions Daily*) for an amount of approximately €35 million, with a group of commercial banks. These lines give us capacity to borrow against receivables from franchisees that mature at a maximum of 45 days and are on a recourse basis. These lines are generally used for working capital purposes for short periods, generally for intra-month requirements. In the six-month period ended January 31, 2021, we did not utilize these lines. See "Description of Certain Other Indebtedness and Other Arrangements—Assignment of accounts receivable".

## **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### **Exchange rate risk**

Fluctuations in foreign exchange rates could have a material adverse effect on our results of operations. We face foreign exchange risks to the extent that most of our revenue is in euros while we source most of our frames and sunglasses from a Chinese intermediary agent, as discussed above, on the basis of a price list denominated in U.S. dollars. Although our current arrangements with our Chinese intermediary agent use a fixed exchange rate between euros and U.S. dollars for certain purchases, this rate could change or cease to be fixed, in which case a sustained appreciation of the U.S. dollar against the euro may lead to an increase in prices we pay for products that we may not necessarily be able to pass on, whether partially or entirely, to our franchisees or end customers. In addition, our network works with suppliers who, although their merchandise is billed in euros, are themselves subject to fluctuations in exchange rates, in particular between euros and U.S. dollars.

### **Interest rate risk**

We are exposed to interest rate fluctuations as certain of our indebtedness bears interest rates at floating rates that could increase, increasing our debt service obligations. Borrowings under the Senior Subordinated Notes and the New Revolving Credit Facility will bear interest indexed to the Euro Interbank Offered Rate ("EURIBOR"), adjusted periodically, plus a margin for drawings in euro, may increase significantly in the future, resulting in additional interest expense for us, reducing the free cash flow for investments and limiting our ability to service our indebtedness. Although we do not currently intend to enter into hedging derivatives with respect to the Senior Subordinated Notes, we may do so in the future. As of January 31, 2021, our outstanding floating-rate third-party debt was €165.0 million relating to the Existing Floating Rate Notes and our outstanding fixed-rate third-party debt was €250.0 million relating to the Existing Fixed Rate Notes.

### **Liquidity risk**

The Issuer's financial liabilities mainly include borrowings and trade and other debts. These liabilities may expose us to liquidity risk in the event of early repayment or short maturity. In order to manage our liquidity risk, we rely on cash on hand and additionally contracts revolving credit or bank facilities for an appropriate amount and maturity to ensure that we have adequate available funds to meet our commitments with a large range of financial institutions. We had cash and cash equivalents of €117.4 million as of January 31, 2021 and €76.9 million as of July 31, 2020, respectively, compared to €35.7 million as of January 31, 2019 and €37.6 million as of January 31, 2018. The Existing Revolving Credit Facility was undrawn as of the date of this Offering Memorandum, January 31, 2021 and July 31, 2018, 2019 and 2020.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The discussion and analysis of the Issuer's financial condition and results of operations are based upon the Issuer's consolidated financial statements, which were prepared in accordance with IFRS as of the date of preparation of the financial statements, including the International Accounting Standards ("IAS") and IFRS standards and the International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The preparation of this financial information requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. We believe that the estimates, assumptions and judgments involved in the accounting policies described below have the greatest potential impact on

the Issuer's financial information, so we consider these to be our critical accounting policies. Due to the uncertainty inherent in these matters, actual results could differ from the estimates we use in applying the critical accounting policies described below. For more information, see note 4.3 to the Issuer's consolidated financial statements included elsewhere in this Offering Memorandum.

### **Goodwill impairment testing**

Goodwill and intangible assets (including trademarks) arise in connection with acquisitions. We do not amortize goodwill and intangible assets with indefinite lives. Intangible assets with finite lives are amortized on a straight-line basis over the assets' respective useful lives. Goodwill is tested for impairment at least annually, at year end, using the method described in the notes to the Issuer's consolidated financial statements included elsewhere in this Offering Memorandum. The outcome of such an assessment is subjective, and the result sensitive to the assumed future cash flows to be generated by the cash-generating units or assets and discount rates applied in calculating the value in use. Any impairment arising is charged to the income statement.

### **Retirement benefits**

We offer our employees retirement plans and other long-term benefits in accordance with regulations and market practices in France and Spain. We account for our defined benefit plans in accordance with IAS 19 "Employee benefits". Accounting for retirement benefit plans requires us to make assumptions including, but not limited to, discount rates, rates of inflation and life expectancies. The use of different assumptions could have a material effect on the accounting values of the relevant assets and liabilities which could result in a material change to the cost of such liabilities as recognized in the income statement over time. These assumptions are subject to periodic review.

### **Deferred taxes**

Deferred tax assets are recognized to the extent that it is regarded as probable that the deductible temporary differences can be realized. The probability that we are able to realize such differences is based on fiscal forecasts drawn up for the tax consolidation group. We estimate deferred tax assets as well as expectations regarding the manner and timing of recovery of the related assets. Changes in these estimates may affect the amount of deferred tax liabilities or the valuation of deferred tax assets.

### **Provisions**

We record provisions for liabilities when we have a current obligation (legal or implied) resulting from a past event; it is likely that an outflow of resources representative of economic benefits will be necessary in order to clear the obligation; and the amount of the obligation can be estimated reliably. The provisions are determined and updated based on assumptions made by us at each reporting date. When the impact is significant, we discount provisions based on a discount rate that reflects the risk-free interest rate and the risks specific to the asset. Due to the uncertainty inherent in these matters, actual results could differ from the estimates on which these provisions are based.

### **Advertising expenses**

Communication fees collected from stores in our network on a monthly basis are recognized as revenue generated by such fees when advertising expenses or communication fees are effectively incurred, for instance in connection with the launch of an advertising campaign.

### **Inventories**

Valuation of inventories requires the exercise of judgement, particularly with regard to impairment, as prospective inventory turnover rates are used in such valuation.

### **IFRS 16**

The application of IFRS 16 requires the exercise of judgement, particularly with regard to:

- the definition of a lease;
- the determination of the lease term, which takes into account the exercise of termination or renewal options when the Group is reasonably certain of exercising them; and
- the determination of the incremental borrowing rate, which is calculated by taking into account residual lease terms on the date of first application.



## Industry

*This section contains information about our markets and our competitive positions, including information about the size of our markets and our position in those markets. Certain of the information set forth in this section has been derived from external sources. Other than the estimations and analyses carried out by us and unless otherwise indicated, the facts and information on which we base our statements in this "Industry" section are based on information from: (i) market studies carried out at our request in 2021 by Xerfi, (ii) recent general market and industry studies and statistics obtained from other independent third-party market consultants and professional data providers including, but not limited to, Arcane, DBK, Gallileo, GfK and SWV, (iii) professional associations, government organizations and international organizations, such as IGAS (Inspection générale des affaires sociales), DREES (Direction de la recherche, des études, de l'évaluation et des statistiques), ROF (Rassemblement des Opticiens de France), UNSAF (Syndicat National des Audioprothésistes), SNITEM (Syndicat National de l'Industrie des Technologies Médicales), EuroTrak (hearing aids) and the International Monetary Fund and (iv) publicly-available information, including information from our competitors, interviews and visits carried out by experts and market participants, secondary market analyses and operating and financial information provided by us. To our knowledge, this information has been faithfully reproduced and no fact has been omitted which would render the information provided inaccurate or misleading.*

*Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but some of the information may have been derived from estimates or subjective judgments or may have been subject to limited audit or validation. While we believe this market data and other information to be accurate and correct, we have not independently verified it. The projections and other forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Further, such estimates or judgments, particularly as they relate to expectations about our market and industry, involve risks and uncertainties and are subject to change based on various factors, including those discussed under "Risk Factors" and "Forward-Looking Statements" elsewhere in this Offering Memorandum.*

### **The optical products market**

#### **Overview of optical products**

The term "optical products" refers to products used for vision enhancement and protection or as fashion items, which include, among other things, corrective lenses, frames, contact lenses, sunglasses and related products (primarily care products for contact lenses and accessories, such as cases, cords and chains). In general, optical products are either healthcare-related prescription products that are designed to address vision impairment, such as prescription glasses and contact lenses, or non-prescription products, such as non-prescription sunglasses or ready readers.

#### **Prescription optical products**

Prescription optical products are non-discretionary healthcare products that include corrective lenses, frames and contact lenses. Functionality, comfort and aesthetics are the key factors that influence customers when selecting prescription optical products. An individual's need for prescription optical products is assessed through eye examinations and tests. In many countries, optometrists and opticians perform eye examinations, administer eye tests and prescribe prescription optical products. In France, only ophthalmologists are authorized to prescribe prescription optical products, although such prescription are valid for up to five years. Additionally, the 100% Santé changes authorize opticians to perform view exams which are be reimbursable by French public health insurance, effectively repositioning opticians as health professionals. Opticians are now allowed to perform such view exams and adapt ophthalmologist prescriptions (unless barred by the ophthalmologist, in contrast to the past where the ophthalmologist would have to specify authorization for repurchase without a new prescription). Such prescriptions are valid for five years for people aged from 16 to 42 years old and three years for people over 42 years old. This capacity to change glasses with a prescription that is up to five years old without visiting an ophthalmologist is a measure that is intended to help address the shortage of ophthalmologists in France. At present, only a limited proportion of people (around 15% to 20%, as measured by *Observatoire de l'Optique-Xerfi*) are taking advantage of this flexibility of not being required to have a new prescription to buy glasses, as compared to 10% to 15% in 2015. For further information concerning the regulations governing the optical products and hearing aid market in France and Spain, see "*Regulation—France—Regulations governing the optical products and hearing*

*aid markets in France" and "Regulation—Spain—Regulations governing the optical products and hearing aid markets in Spain".*

### Corrective lenses

There are different types of corrective lenses: (i) unifocal lenses with one correction region correcting a particular vision condition and (ii) multifocal lenses (including bifocals and progressive lenses) with two or three correction regions, each dealing with a particular vision condition. Progressive lenses are generally used by people over 40 years old, who have presbyopia. The market for corrective lenses has evolved considerably in the more than 45 years since our founding, as exemplified by the emergence of tailor-made progressive lenses and lenses produced with the help of digital surfacing technology. Essilor-Luxottica, Carl Zeiss Vision and Hoya are the leaders in the market for corrective lenses.

### Frames

Frames are generally available in a wide range of materials, styles and brands, generally need to be adapted to suit their wearer and may also have additional technical features, such as flexible spring hinges. Many customers consider glasses to be fashion accessories in addition to having a functional purpose, so aesthetics and the brand name represent key factors in customers' decision to purchase frames. The market for frame manufacturing, which consists of a large number of medium-sized players, is highly fragmented and competitive. However, two groups, Essilor-Luxottica and Safilo, are considered the leaders in this market, in particular for luxury brands.

### Contact lenses and care solutions

As is the case with corrective lenses, contact lenses may be unifocal or multifocal. Further, contact lenses can be soft, rigid or hybrid, which share qualities with both soft and rigid lenses. Rigid contact lenses are generally more expensive than soft contact lenses because they may be used for several years without replacement. Contact lenses also require certain care products, such as daily or weekly cleaning solutions. Contact lenses are not perfect substitutes for traditional optical products but present customers with an alternative to wearing glasses. Consequently, customers who wear contact lenses typically also own at least one pair of glasses to regularly or occasionally replace their contact lenses. As such, even if wearing contact lenses would generally require a prescription from an ophthalmologist, we view contact lenses and contact care solutions as discretionary sales, as compared to corrective glasses (frames plus corrective lenses), which we consider to be largely non-discretionary. This segment is also dependent on other retail channels, like e-commerce and pharmacies. As a consequence, the evolution of this channel in 2020, as measured by GfK, was not as strong as corrective glasses (-11% for contact lenses versus -7% for corrective glasses in the French market, and -18% for contact lenses versus -13% for corrective glasses in the Spanish market). The market for the manufacturing of contact lenses is led by three U.S. manufacturers (Johnson & Johnson, Bausch & Lomb and Coopervision) and one Swiss manufacturer (Alcon-Ciba).

### Non-prescription optical products

Non-prescription products include ready readers, non-prescription sunglasses, protective eyewear for use during certain activities or sports, accessories, such as cases, cords and chains and cosmetic contact lenses and binoculars. Sunglasses, which are generally the largest segment of the non-prescription optical products market, are both a protective product and a fashion product, which is why they enjoy particularly high market penetration. As such, those products can be sold through various channels, including department stores, clothing and fashion stores and grocery stores, as well as generalist and pure-play e-commerce websites.

### **General optical products market drivers**

Our main geographic markets are France and Spain and we also have presence in, among other countries, Portugal, Belgium, Luxembourg and Switzerland. The drivers of the optical products market are broadly consistent across our geographic markets: consumption trends and demographics, social drivers and macroeconomics, the regulatory environment and technological advances.

### Consumption trends and demographics

One of the primary drivers of the optical products market is the increased prevalence of vision conditions, mainly due to an aging population. Purchases of prescription optical products that address such vision conditions are generally non-discretionary. Prescription optical products are also more resilient during periods when purchases diminish, in particular in France where a significant portion of

the cost of optical products is reimbursed by private health insurers through supplementary health insurance contracts. Further, the repurchase and replacement cycle for optical products is typically two to four years and is relatively steady, as replacement ultimately depends on general wear and tear or loss of glasses as well as on periodic adjustments to the patient's correction strength due to changes in their vision.

In France and Spain, average selling prices ("**ASPs**") for optical products are influenced by a number of trends. On one hand, promotions and rebates, along with the rise of low-price products marketed by large retailers, generally tend to lower ASPs, a trend that has also been driven by the French regulatory environment and the rise of closed networks in France. On the other hand, product mix tends to drive higher ASPs. For example, growing demand for multifocal lenses is apparent in the principal countries in which we operate. Multifocal lenses generally have higher ASPs than unifocal lenses. For instance, in France, the proportion (in terms of volume) of lenses sold that were multifocals grew to 38.7% in 2019, as compared to 31.8% in 2012. In 2020 in France, a pair of monofocal glasses cost consumers on average €304 and a pair of multifocal glasses cost consumers on average €551 (according to a Gallileo survey). The higher ASPs commanded by multifocals, combined with increased volumes across optical product segments, helped to partially offset the impact of the above-mentioned decline in ASPs. Only non-prescription sunglasses have experienced price growth (with flat volumes) in recent years.

The hearing aid market operates similarly, with increasing volumes tied to an aging population, partially offsetting the impact of declining prices. For example, in the French hearing aid market, volumes grew at a CAGR of 7.1% over the 2015 to 2020 period. This growth in volume is due to accelerate in coming years, as a result of the entry into force of 100% Santé, which has enabled people to get hearing devices for free, beginning in January 2021.

#### Population growth and aging

Current demographic studies indicate a growing and aging population in our primary markets. Between 2019 and 2024, the population in France is expected to grow by approximately 1.0 million and remain stable in Spain. Usually, eyesight begins deteriorating progressively between ages 40 and 45 and the occurrence of visual disorders, particularly presbyopia, generally becomes more common and more serious with age. It is estimated that, by 2025, 46.7% of the French population and 52.7% of the Spanish population will be over age 45 and that 56%% and 53% of the French and Spanish populations will wear prescription glasses (versus respectively 54% and 52% in 2020, and 51% and 48% in 2012).

#### Healthcare-related, non-discretionary nature of prescription optical products purchases

The prescription optical products market generally tracks GDP, though in France it is more insulated from swings in GDP due to the favorable French insurance and reimbursement frameworks. Additionally, purchases of prescription optical products are generally non-discretionary: while the purchase of glasses or contact lenses may be temporarily deferred or a less expensive product may be selected, customers generally do not decide against vision correction once they have been diagnosed with a visual impairment. Thus, we observe that resilient demand for prescription optical products contributes to relative stability in the main optical products markets in which we operate during periods of macroeconomic instability.

#### Repurchase and replacement cycle

The optical products market is characterized by steady repurchase and replacement cycles (2.2 years in France and 3.9 years in Spain, in 2019). The main drivers for repurchasing or replacing an optical product are loss, wear and tear, changes in vision, reimbursement cycles (where applicable), evolving fashion trends and technological improvements. Moreover, many consumers own more than one pair of glasses (a trend we refer to as "multi-possession") and also tend to own at least one pair of glasses even if they primarily use contact lenses. Changes in fashion trends also lead to replacement of optical products, in particular for frames and sunglasses, which are more exposed to evolving fashion trends.

#### Social drivers, health, lifestyle and macroeconomics

Social and economic factors have a significant impact on how eyesight impairments are identified and treated by consumers. Changing lifestyles, such as increasing numbers of people attending schools and universities, working skilled and technical jobs, using computers and similar devices (including uptake on blue-light blocking technology) and driving, and increasing customer focus on health and wellness are factors that lead to an increased need to maintain good eyesight. Some of these factors may even aggravate eyesight impairments or cause patients to seek a solution more readily than they might if they did not think good vision was critical to their quality of life. With generally rising rates of

near-sightedness, we expect that increased access to and demand for optical diagnosis and optical care, as well as increased demand for branded optical products, will continue to drive demand in the markets in which we operate.

#### *Reimbursement framework*

Reimbursement frameworks vary across the geographies in which we operate with a relatively high level of reimbursement being available in France, and a relatively low-level of reimbursement being available in other countries. For example, in France, the optical products market is characterized by high levels of reimbursement through private health insurers (OCAMs, including CMU) and care networks: more than 99% of the French population was covered by private health insurance plans or CMU in 2020, according to Gallileo. In 2020, a market survey by Gallileo indicated that the French population was split among CMU-Complémentaire Santé beneficiaries (10%), private individual health insurance beneficiaries (43%) and private collective insurance beneficiaries (46%), with only 1% people not having any insurance coverage. Additionally, the French *Accord National Interprofessionnel* (the "ANI"), requires all employers to offer complementary health insurance to their employees, thus increasing the percentage of the population covered by employer-provided insurance, which often provides more generous reimbursement as compared with the coverage provided by the baseline private insurance held by individuals through the OCAMs. Thus, in spite of low levels of reimbursement for optical products from the French public health system (approximately 4% of in 2017), due to the prevalence of private insurance coverage through the OCAMs (which reimbursed approximately 70% of optical products expenses in 2020, according to Gallileo), the French reimbursement framework is overall favorable to us because it allows for generally low out-of-pocket costs for our end-customers (approximately 30% in 2020), which in turn helps drive and sustain demand.

In contrast, the optical products markets in Spain, Belgium, Switzerland and Portugal are characterized by (i) low levels of coverage for optical costs through the public health system, (ii) low levels of enrollment in private health insurance programs and (iii) regulatory frameworks that are not as supportive as the one in France, which for example do not require employers to offer complementary health insurance.

#### *Regulatory environment*

National optical products markets are subject to various regulations regarding (i) access to the retail optical products market (e.g., the restrictions in France on the ability to carry out eye tests, examinations and prescribe prescription for optical products limited to ophthalmologists); (ii) optical products distribution channels (e.g., by regulating online sales); and (iii) communication, marketing and advertising (e.g., restrictions on advertising by healthcare professionals, including opticians). For several years, market regulation in various countries in which we operate has become increasingly liberal. If this trend towards market liberalization continues, for example through the easing of restrictions on eye testing and measurement services, the market is expected to become more accessible to opticians offering a total range of products and services.

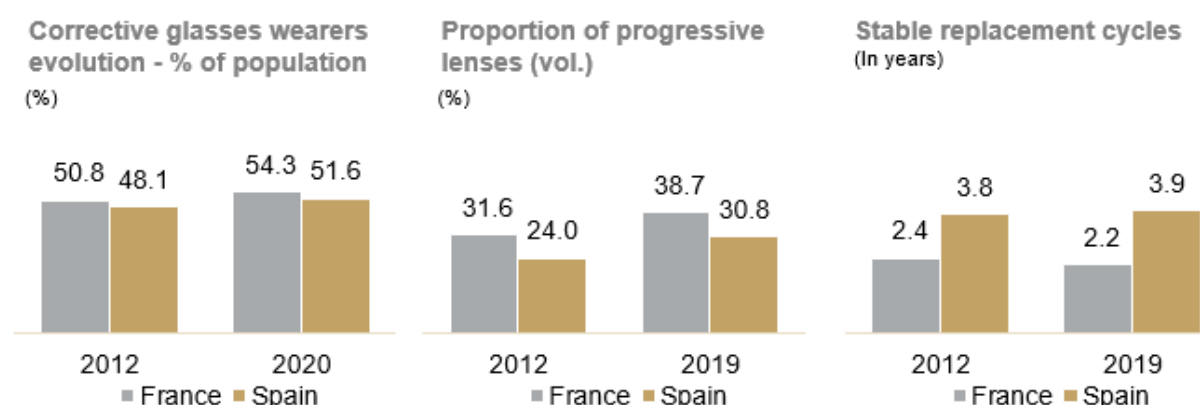
#### *Regulatory changes*

In France, upcoming regulatory changes, which will become applicable from January 2020 onwards, will change the regulatory environment and also impact the French optical and hearing aid sectors. We believe that, in 2020, the negative impact of these regulatory changes on the total optical market was a one-off negative impact of approximately 2% in terms of value, mostly due to the reduction in the reimbursement threshold on frames from €150 to €100, while in the meantime, growth of 1.1% of the population wearing spectacles over the period from 2018 to 2024 is expected to compensate part of this negative impact. The French optical market has been stagnating for almost three years, despite structural growth factors linked to demographic factors. The impact of those changes on banners and individual stores will depend, among other factors, on local considerations (for instance the proportion of wearers who benefit from the CMU, which is unevenly spread across the country) and on our ability to attract the population asking for the "zero consumer cost" offer and the success of our products to compensate for the reduction in frames reimbursement. Even if assessing the precise impact of 100% Santé is made difficult in light of the ongoing COVID-19 situation, thus far, uptake on RAC Zéro is broadly in line with our expectations, with slightly less decline on sales of frames than expected (at less than 3% according to GfK, and 6% at Gallileo). The measure is expected to impact 5% to 10% of frames sold in France. For further information about the regulations applicable to the sale of optical products and hearing aids in France and Spain, our two main markets, see "*Regulation*".

### Technological advances

Optical product technology is constantly evolving. These technological evolutions drive increases in average basket value in the form of product "add-ons", even as ASPs for certain products are in slight decline. Customers may select one or more supplements to their product, such as multifocal lenses, polarized lenses or blue-light blocking coatings. The development of polycarbonate lenses (which are thinner, lighter and more impact-resistant than standard plastic lenses), break-resistant optical frames (designed with flexible joints and materials that allow a greater degree of bending than conventional frames), new materials used for contact lenses (such as silicon hydrogel) and higher quality lens materials (resulting in lenses that are extremely thin or light, progressive, anti-reflective, shock-proof, photochromatic (light-adaptive or transition lenses), scratch-resistant, polarized, ultraviolet-protective and blue-light blocking) has led to higher ASPs.

The graphic below presents the estimated impact of certain market growth drivers on the French and Spanish optical markets for the 2012 and 2019 calendar years.



Source: SWV.

### Optical products competitive landscape

The national markets in which we operate are fragmented, with independent retailers playing a significant role and market leaders representing a limited market share of total sector sales, with the market leader in France representing 13% in 2019 and approximately 12% for the market leader in Spain for 2018. Our main competitors tend to be small, local competitors, which are easily identified by customers in those national markets. While there are many regional and national networks of optical retailers, there are a fairly limited number of multi-national networks like us. The European optical products market generally includes (i) retail optical chains, (ii) marketing groups, (iii) independent retailers and members of buying groups and, in France, (iv) mutualists (*mutuelles*):

- Retail optical chains include franchise stores, stores fully owned by one company (sometimes referred to as "integrated networks") or a combination of both franchise stores and owned-stores networks. We have selected the franchise model, which we operate alongside a limited number of directly-owned stores, as explained further in "*Business*". In contrast, examples of retail optical chains using the integrated network model include GrandVision (operating the banners Grand Optical, Générale d'Optique and Solaris in France), as well as General Óptica and Óptica 2000 in Spain. Certain of our retail optical chain competitors, such as Générale d'Optique and General Óptica, also maintain a network of franchised stores, similar to us. To be considered a "retail optical chain", it must include five or more stores.
- Marketing groups, which are sometimes organized under a cooperative system and referred to as "cooperatives", are groups of independent opticians who combine under a single banner and usually have a shared marketing approach. Opticians in such marketing groups pay a contribution fee to the group and benefit from various pooled resources and services. All storeowners in a marketing group have a stake in the group and each is involved in the decision-making process.
- Independent retailers and members of buying groups own and operate their own stores under their own brands and bear all risks related to their store. Independent retailers may also join buying groups in order to benefit from better purchasing conditions, but generally do not have

the advantage of collective commercial benefits available to those in retail optical chains or marketing groups.

- Mutualists are a type of French optical store where, in the past, people with certain insurance policies (e.g. school teachers) could buy optical products at a much-reduced price, which was then reimbursed by the health insurance company. This led to the formation of a nation-wide chain of optical stores, called Les Opticiens Mutualistes (recently renamed *Ecouter Voir*). Following regulatory change in 2014, Les Opticiens Mutualistes no longer benefit from a protective statute and now operate like the other retail optical chains in France, although they are still linked to insurance companies.

In France in 2019, retail optical chains held 38.5% (5.5% more than 2012), marketing groups held 35% (1% less than 2012), mutualists held 9% (1% less than 2012) and independent retailers and members of buying groups held 17.5% (3.5% less than 2012) of market value. In Spain in 2018, retail optical chains held 41% (4% more than in 2013), marketing groups held 32% (8% more than 2013) and independent retailers and members of buying groups held 26% (12% less than 2013) of market value. Independent retailers are facing increasing pressure from the expansion of large optical products distribution networks, including the leading European networks, such as GrandVision (the Netherlands), Specsavers (United Kingdom), Fielmann (Germany) and Afflelou. The consolidation of optical products players generally along with forward integration by some optical products suppliers may further increase competitive pressure within the optical products market. For example, two of the largest industry players, Luxottica and Essilor, entered into a business combination agreement in January 2017 creating the Essilor-Luxottica group. Since then, the Essilor-Luxottica group has launched a takeover of Grandvision, which remains subject to antitrust approval, notably in Europe among other things. In recent weeks, Essilor-Luxottica announced its agreement to dispose part of its retail base in Belgium, Netherlands, and Italy, in order to satisfy antitrust authority requests. We expect market consolidation and concentration to accelerate in the coming years, offering competitive advantages to large players like us over small and independent retailers, due to greater purchasing power with suppliers, talent attraction and retention and economies of scale.

### ***Our optical products geographic markets***

Below, we describe the characteristics of the optical products market in both France and Spain, our main optical products markets and provide overall market figures for Belgium, Switzerland and Portugal, which correspond to a large proportion of network sales in our Other countries segment.

#### ***France***

##### ***Market size and growth potential***

The total retail value of the optical products market in France (including the French overseas territories) was approximately €6.6 billion (including VAT and excluding online sales) in 2019, showing an increase of 3.6% as compared with 2018. The optical market in France was broadly stable between 2015 and 2018, at approximately €6.3 billion, largely as a consequence of regulatory changes that began in 2016, including the lengthening of the replacement cycle to two years by French public health insurance and the lowering of the reimbursement thresholds for frames, along with the rapid rise of care networks, putting pressure on product prices. In 2020, SWV estimated that the French market declined by 8.6%, to €6.0 billion (as compared to 10.7% as estimated by GfK, and 13.0% as estimated by *Observatoire de l'Optique*), demonstrating resilience in the face of COVID-19-related confinements, including the near-complete closures during the first confinement in the spring of 2020. The optical sector is also supported by demographic trends, as demonstrated by (i) higher volume corresponding to a growing number of people in need of vision correction and (ii) growth in average basket size due to "add-ons" and the increase in multifocal lens wearers (growing at 40% of total lens volume in 2020 as compared to 39% in 2019 and 32% in 2012), which has helped to offset declines in ASPs. Sales in retail values for contact lenses, care solutions and non-prescription sunglasses have remained stable in value, due to (i) an ASP decline on sunglasses caused by a growing proportion of own branded products within large banners, and (ii) a growing proportion of those products being sold through other retail channels such as internet and specialized retailers.

In France in 2019, the largest segment of the optical products market was the corrective glasses segment, which represented approximately 83% (which is calculated as the total of lenses (57%) and frames (26%)) of the total retail value of the market, with total sales of lenses of approximately €3.8 billion and total sales of frames of approximately €1.7 billion (including VAT and excluding online sales). The market also includes the contact lenses and care solutions segment (7%), the non-prescription

sunglasses segment (7%) and the accessories segment (3%) (including VAT and excluding online sales). The French optical products market is forecasted to grow in future years, at a 1.0% CAGR from 2019 to 2025, and 3.0% from 2020 to 2025. Additionally, the distribution of products should benefit non-discretionary products (corrective glasses), growing to 85% of the total market in 2025.

### Market trends

The French optical products market is characterized by positive demographic, social and economic drivers as well as a favorable regulatory framework, all of which have contributed to resilience during difficult economic cycles. We expect that the French optical products market in the coming years will be supported by a growing, aging population and steady renewal cycles (2.2 years in 2019), while regulatory changes that came into effect since 2016 and which have been implemented since 2020 (100% Santé and its RAC Zéro offer) and the resulting reduction in the reimbursement caps on frames from €150 to €100, had a limited, one-off negative impact in 2020 on the average expense for end customers.

### Consumption trends and demographics

As is true in the optical products market generally, population growth and the aging of the overall population are expected to continue to increase demand for optical products in France. The French population is expected to continue growing moderately at a CAGR of 0.3% over the 2020 to 2025 period. The percentage of the population using optical products is expected to grow at a CAGR of 0.9% over the same period. The share of the French population aged 45 and older is estimated to increase at a CAGR of 0.6% over the 2020 to 2025 period. The increasing number of older people in France, a majority of whom will require progressive lenses (which have higher ASPs than unifocal lenses) together with general volume growth is expected to support market growth and offset the impact of longer renewal cycles.

### Social drivers

We believe that the French optical products market will also benefit from certain social drivers which lead to increased volumes and higher average basket sizes. These social drivers include (i) increased awareness of the need to protect eyes from sun exposure; (ii) higher demand for branded optical products; (iii) higher demand for multiple pairs of glasses; and (iv) customers' increased interest in high-value products, such as blue-light blocking lenses that address the growing prevalence of eye strain resulting from increased exposure to digital displays.

### Reimbursement framework and regulatory environment

The French optical products market has shown resilience in challenging economic environments, due in part to a supportive healthcare reimbursement system that effectively limits the out-of-pocket cost of optical products to customers. In France, the optical products market is characterized by high levels of reimbursement through private health insurers (the OCAMs). A significant portion of the cost of optical products is covered by OCAMs, which reduces customers' exposure to the price of optical products. In 2017, OCAMs and the public health system reimbursed on average 70% to 75% of such expenses. OCAMs, together with CMU, and *aide à la complémentaire santé* ("**ACS**") (these two entities are expected to merge as a consequence of the 100% Santé changes) allow almost all of the French population to be covered by a complementary health insurance. Care networks are intermediary parties between the OCAMs and healthcare professionals, including opticians, which were implemented to allow OCAMs to control reimbursements to healthcare professionals. OCAMs may choose to apply different levels of reimbursement depending on whether the customer makes his or her purchase from an optician admitted to a relevant care network. Customers are therefore encouraged to choose an optician admitted to a relevant care network as the consumer will receive a higher reimbursement from the OCAM. More than 85% of the French population was covered by an OCAM as of 2018, and approximately 70% of OCAMs, were linked to a care network and approximately 30% of the customers used their care network to purchase glasses, according to a recent Galileo study.

Additionally, the ANI requires all employers to offer complementary health insurance to their employees, thus increasing the percentage of the population covered by employer-provided insurance, which often provides more generous reimbursement as compared with the coverage provided by the baseline private insurance held by individuals through the OCAMs. Thus, in spite of low levels of reimbursement for optical expenses from the French public health system, due to the prevalence of private insurance coverage through the OCAMs and the ANI, the French reimbursement framework is overall favorable to us because it allows for generally low out-of-pocket costs for our end-customers, which in turn helps

drive and sustain demand. Furthermore, our end-customers in France are also able to benefit from third-party payment (*tiers payant*), a mechanism which allows for the reimbursement of medical expenses to be paid directly by the public health system and/or OCAMs to the individuals or entities that provided the service. Certain recent changes in the French regulatory system have impacted, and are expected to continue to impact, the French optical products market as discussed further in "Regulation".

#### Our competitors and competitive position in France

The French optical products market is composed of retail optical chains (such as Générale d'Optique, Optical Center and us), marketing groups (such as Optic 2000, Krys and Atol), mutualists (Les Opticiens Mutualistes (recently renamed *Ecouter Voir*)), independent retailers and members of buying groups. In 2019, retail optical chains held 38.5% (5.5% more than 2012), marketing groups held 35% (1% less than 2012), mutualists held 9% (1% less than 2012) and independent retailers and members of buying groups held 17.5% (3.5% less than 2012) of market value.

In 2019, Alain Afflelou was the largest retail optical chain and the third largest banner in the French optical products market with 9.7% market share in terms of turnover (including VAT), behind two marketing groups, Optic 2000 (12.8% market share) and Krys (12.9% market share) and ahead of Optical Center (9.1% market share). By 2019, we had gained 0.8% of market share as compared to our 8.9% market share in 2015. The two largest discount retailers, Optical Center and Générale d'Optique, followed with 9.2% and 8.0% market share, respectively.

#### Spain

##### Market size and growth potential

The total retail value of the Spanish optical products market amounted to approximately €1.9 billion (including VAT and excluding online sales) in 2019. The Spanish optical products market grew by 1.4% in 2019. In 2020, the Spanish optical market declined by 17.3% as estimated by SWV (18.3% as estimated by GfK), while non-discretionary products, which are our core offering, only declined by 13.5%.

In Spain in 2019, the largest segment of the optical products market was the corrective lenses segment, which represented approximately 48% of the total retail value in the optical products market, with total sales (including VAT and excluding online sales) of €0.9 billion. The frames segment was the second largest market segment representing approximately 22% of the total retail value in the market with total sales (including VAT and excluding online sales) of €0.4 billion. The market also includes the contact lenses and care solutions segment (approximately 14%), the sunglasses segment (approximately 13%) and the accessories segment (approximately 3%). The Spanish optical products market is forecast to grow by a CAGR of 0.9% over the 2019 to 2025 period and 5.0% over the 2020 to 2025 period, showing a strong recovery following the initial phases of the COVID-19 pandemic.

##### Market trends

The Spanish optical products market is smaller than that of France, largely due to the relatively low proportion of the Spanish population that has private health insurance and the lack of reimbursement by public health insurance. Spanish customers generally bear most of the cost of optical products as an out-of-pocket expense, which explains, at least in part, why the Spanish optical products market is more closely tied to macroeconomic indices such as GDP. The renewal cycle for prescription glasses in 2019 was estimated to be an average of 3.9 years in Spain, as compared to an average of 2.2 years in France, due to optical products generally not being reimbursed in Spain. However, the Spanish optical products market is characterized by positive demographic, social and economic drivers. We believe that in the coming years the Spanish optical products market will benefit from an aging population, increased demand for branded optical products, an improved macroeconomic environment and a favorable professional licensing regime with respect to optician-optometrists.

##### Consumption trends and demographics

The Spanish optical products market is exposed to similar demographic trends as the French optical products market, notably an aging population. While the Spanish population (approximately 47.1 million people in 2020) is stable overall, and is forecasted to grow slightly (at a CAGR of 0.4% over the 2020 to 2025 period), the share of the Spanish population aged 45 and older is estimated to increase at a CAGR of 1.8% over the 2020 to 2025 period, which in turn is expected to lead to increased demand for



optical products. In addition, as is the case in France, we expect that Spanish consumer spending will be characterized by increased interest in branded optical products in the coming years.

#### Social drivers

The Spanish optical products market is more closely correlated with macroeconomic indices, such as GDP and disposable income levels, as compared with the French optical products market. Following the economic crisis, which negatively affected the Spanish optical products market between 2008 and 2013, the economy in recovery since 2014 has allowed for the revival of sales in the Spanish optical products market.

#### Reimbursement framework and regulatory environment

Optical products are generally not covered by public health insurance in Spain and the percentage of the Spanish population with private health insurance is relatively low. Additionally, as is the case in France, there is a shortage of ophthalmologists in Spain. However, unlike in France, optician-optometrists in Spain may perform eye exams and write prescriptions for optical products, which mitigates the impact of the ophthalmologist shortage.

#### Our competitors and competitive position in Spain

In Spain in 2018, retail optical chains held 41% (4% more than 2013), marketing groups held 32% (8% more than 2013) and independent retailers and members of buying groups held 26% (12% less than 2013) of market value.

In 2018, we were the largest retail optical franchise network in Spain, in number of stores, with the Alain Afflelou banner representing a 3.3% market share and the second largest retail chain, with a 7.1% market share (behind Multiópticas, Opticalia and General Optica with a 12.0%, 11.0% and 9.3% market share, respectively), but ahead of Optica 2000 (with 4.7% market share).

### **The hearing aid market**

#### ***Overview of hearing aids***

In terms of hearing aids, we operate exclusively in the hearing aids market (as opposed to the hearing implants market). Like prescription glasses, hearing aids are healthcare products with a frequent renewal cycle and, in France, strong reimbursement support. Hearing aids are best used in cases of mild to severe sensorineural hearing loss. While the fundamental components of hearing aids are the same, the specific components used across different hearing aids can vary significantly. The cost of a high-end hearing aid can be many times the price of a low-end hearing aid. Such cost differences are generally driven by the device's software, components and functionality. The market for hearing aid manufacturers is highly concentrated, with the top six hearing aid manufacturers accounting for approximately 90% of the market (Sivantos (Siemens)/Widex, Sonova, William Demant, GN Resound, and Starkey).

#### ***General hearing aid market drivers***

As is the case with the optical products market, the hearing aids market consists primarily of national markets, with each national market being subject to local demographic conditions, regulatory frameworks, penetration rates and competition. Drivers of the hearing aid market are generally similar to those of the optical products market in our main geographic markets for hearing aids, France and Spain. Those drivers consist primarily of a growing population with hearing impairments, which is a combination of sociological factors (such as the use of headphones and other stresses on hearing) and the aging of the population (as presbycusis is, as is the case with presbyopia, a natural result of the aging process for many people). For instance, while Xerfi forecasts that the French population will grow at a CAGR of 0.3% per annum from 2020 to 2025, it forecasts that the population having hearing impairments will grow by 0.9% over the same period, mainly due to the growth of the population of people aged over 65 being forecast to grow at a CAGR of 0.9% over the same period. However, the size of the addressable population remains smaller as compared to the optical market, with the percent of the population having a hearing impairment estimated to be 10.2% of the total French population, as compared with more than 56% having vision impairment. However, the French hearing aid market is characterized by lower penetration rates (estimated to be around 40% according to a 2018 EuroTrak study and may be as low as 35% according to Xerfi in 2020) as compared to over 95% for the French optical market. The hearing aid market is generally driven by consumption trends and demographics, social drivers, macroeconomics and technological advances, as is the case with the optical market.

### *Consumption trends and demographics*

Similarly to the optical products market, we expect that demographic and demand trends will support growth in the hearing aid market. Hearing loss is an increasingly common and irreversible phenomenon that comes with aging and which is amplified by certain lifestyle choices, such as living in noisy environments or excessive use of headphones. The prevalence of hearing loss is positively correlated with the increasing population of people aged 65 and older (which is expected to grow from 20.5% in 2020 to 22.1% by 2025 in France), as well as with increasing levels of noise pollution. It is estimated that more than a quarter of the population of people aged 65 and over have some degree of hearing loss. Thus, as the population ages, the addressable market is expected to grow in parallel. In addition to an increasing number of new users of hearing aids, we have observed that total market volumes are also supported by stable replacement rates for existing customers. Generally, hearing aids need to be replaced every four to five years. However, a large proportion of purchases are driven by loss or damage. Lastly, as is the case with optical products, hearing aids are somewhat non-discretionary purchases, as good hearing is essential to being fully cognitive and socially active, which further supports growth in this market.

### *Social drivers, health, lifestyle and macroeconomics*

Penetration rates, which represent the proportion of the population equipped with hearing aids, are growing steadily and are primarily driven by social and macroeconomic factors, including reimbursement rates, affordability, levels of social acceptance of such devices and changing lifestyles. For example, increasing noise pollution in urban areas as well as harmful exposure to loud music through headphones and at concerts are additional factors that may lead to hearing loss. Social acceptance of hearing aids, *i.e.*, the absence of stigmatizing those who wear hearing aids, is another key driver likely to increase hearing aid penetration rates. As previously mentioned, reimbursement rates impact hearing aid penetration rates. In France, hearing aids are estimated to be reimbursed around 45% on average, with a personal cost for the consumer of around €750 to €850 (in 2019). The recent changes brought by 100% Santé are expected to increase the number of people using hearing aids. Xerfi estimates that the total population of people in France with a hearing impairment to be 6.9 million people in 2020, with only 35% being equipped, according to a 2018 EuroTrak study. Driven by the 100% Santé changes, Xerfi estimates that this will grow to 43% (3.1 million people) by 2025. In Spain, reimbursement of hearing aids is even more limited as a result of the fact that the public health insurance system does not reimburse hearing aid costs and the low percentage of individuals with complementary health insurance. This has led to a penetration rate of only 13% in Spain. In countries where reimbursement rates are low or zero, the affordability of hearing aids is particularly important, as most of the purchase cost is borne by the customer. Additionally, Xerfi indicates that the ability of customers to acquire hearing aid devices without any out-of-pocket expenses is likely to boost sales. In recent years, we have observed downward price pressure on hearing aids. ASPs of hearing aids are expected to continue to decline over time, which we expect will drive volume growth as hearing aids become increasingly affordable to customers. The ASP of hearing aids was €1,517 in 2018, declining progressively from a maximum of €1,585 in 2012 and is expected to further decline due to regulatory changes favoring lower prices, such as 100% Santé with full reimbursement for basic hearing aid products priced at up to €950. Xerfi estimates that this ASP will decline from €1,545 in 2020 to €1,342 by 2025. We expect that the decline in ASPs will be more than offset by volume growth at a CAGR of 10.6% from 2020 to 2025, mainly as a result of 100% Santé, which is expected to drive demand from customers who were previously deterred from wearing hearing aids due to the cost, as well as volume growth driven by demographic factors, such as the aging population in France.

### *Technology*

Hearing aid technology is constantly evolving. Technological improvements drive sales of hearing aids by making them more discreet and improving comfort and functionality. Improvements in microphone and microchip technology have led to the advent of miniature hearing aids that are virtually invisible, comfortable to wear, easy to insert and remove and provide better hearing correction. Additionally, constant technological development creates pricing pressure and promotes affordability, which in turn drives penetration rates.

### **Hearing aids competitive landscape**

As is the case with the optical products market, retail competition in the hearing aid market generally takes place on a national level: competitors are mainly local banners, easily identified by customers. The geographic markets in which we operate are highly fragmented between retail optical chains and marketing groups, with independent retailers holding approximately 10% to 20% of the market retail

value. While there are many regional and national hearing aid retail chains, there are a fairly limited number of multi-country chains, such as Amplifon and us. The European hearing aid retail market generally includes large banners (including retail chains, marketing groups and mutualists (in France)) and independent retailers.

### ***Our hearing aid geographic markets***

We are present in the hearing aid market in both France and Spain, (370 points of sale as of January 31, 2021, of which 93 were stores and 277 were corners), though the majority of our hearing aid points of sale, and network sales are located and generated in France.

#### ***France***

##### **Market size and growth potential**

In 2019, the total retail value of the French hearing aid market was estimated by GfK to be €1.5 billion (including VAT and consumables), with 782,000 hearing aid devices sold, according to SNITEM. This market grew at a CAGR of 3% between 2016 and 2019. Xerfi estimated the total retail value of the French hearing aid market to be €1.4 billion in 2020 (3.5% below GfK's estimate for 2019). Xerfi estimates the market will grow at a CAGR of 7.5% between 2020 and 2025, driven by demographic factors and the regulatory changes brought by 100% Santé. The population needing hearing aid devices is expected to continue to grow as the population at large grows and ages. French regulations are expected to help make hearing aids more affordable through the 100% Santé changes (as discussed above), which should drive more than 25% of total volume by 2025 according to Xerfi. We expect these factors will drive volume growth and largely compensate for decreasing ASPs.

##### **Market trends**

As is the case with the French optical products market, the French hearing aid market is expected to benefit from favorable demographic trends, including a growing and aging population, which are likely to drive demand. In France, as of 2020, approximately 10% of the population have a hearing deficiency. However, we believe that the penetration rate for hearing aids remains low (estimated to be around 40% according to a 2018 EuroTrak study and may be as low as 35% according to Xerfi in 2020), but is expected to grow over the coming years to 43% in 2025. The currently low penetration rate of hearing aids is primarily due to a significant number of undiagnosed hearing pathologies as well as pathologies that go untreated due to high prices of hearing aid equipment before the implementation of 100% Santé in France, social stigma and a perceived lack of comfort and/or efficacy of certain hearing aid products. As people become less reluctant to wear those devices, the stigma is reduced, social acceptance increases and the products become more affordable for consumers (which can now be purchased with no out-of-pocket cost, thanks to 100% Santé), we believe the penetration rate will continue to grow. On average, there is a three-year period between the moment a person becomes aware of hearing loss and their purchase of hearing aids, and generally, people with mild and moderate hearing loss have lower adoption rates. Hearing aids are used on average for six years before they are replaced. The repurchase cycle is also expected to shorten as people can obtain hearing aids for free. Finally, we expect that hearing aid retailers will grow their revenue in other product segments that are linked to the sale and replacement of the hearing aids and accessories, including batteries, storage cases and cleaning products.

##### **Our competitors and competitive position in France**

The primary players in the French hearing aid market are banners and independent retailers. Banners include retail chains (such as Audika and Amplifon), buying groups (such as Audition Conseil and Audition Santé), cooperatives (such as Entendre), mutualists (Audition Mutualistes), optical retailers who also sell hearing aids (such as Optical Center, Audio 2000, Krys and us), as well as hearing aid specialists and small optical retailers. In France, we believe the largest players in the market are Amplifon (with an estimated market share of more than 15% in 2019) and Audika (with a market share of approximately 10%). We believe our network sales from hearing aids account for approximately 3% of the market in France.

#### ***Spain***

##### **Market size and growth potential**

Spain is one of the least developed hearing aid markets in Western Europe as Eurotrak identified in a 2018 survey. Spain has the same levels of hearing impairment (as compared to France) and population equipped with appropriate hearing aid devices (with 11.3% of the population having a hearing

impairment and only 36.5% within this category of people being equipped with hearing aids), primarily due to the low level of reimbursement, lower GDP per capita and societal stigma associated with the use of hearing aids. However, the Spanish market has benefited from a growth in recent years and is expected to continue growing, notably as a consequence of the growth of the population aged 65 years and older.

#### Market trends

Similar to the Spanish optical products market, the Spanish hearing aid market is expected to benefit from favorable demographic trends, including an aging population, a decline in the social stigma around hearing aids and an improving macroeconomic environment. In Spain, public health insurance generally does not cover hearing aids. We do not expect the reimbursement scheme for hearing aids to change in Spain. Thus, penetration rates will remain closely tied to the ability of market players to offer hearing aids at affordable prices.

#### Our competitors and competitive position in Spain

The primary players in the Spanish hearing aid market are retail chains and independent retailers. We believe retail chains account for 80% to 85% of the market, with independent retailers accounting for the remainder. The recent acquisition of Gaes by Amplifon has reinforced Amplifon's position as leader in the Spanish hearing aid market.

## Business

### OVERVIEW

Founded by Mr. Alain Afflelou in Bordeaux in 1972, we are a leading optical product and hearing aid franchisor in Europe. We operate the largest French optical product franchise network in terms of both revenue and number of stores and the Alain Afflelou banner is the third-largest optical banner overall in terms of number of stores, with a 10% market share in 2019 (in terms of revenue, including VAT and excluding online sales) in a fragmented market that has historically included many independent retailers (according to SWV). In addition to our historical French market, we have a large and well-developed network Spain, our second core domestic market, where we had 336 stores as of January 31, 2021. In 2019, we operated the largest optical product franchise network in Spain (in terms of number of stores) and were the fourth largest optical retail chain, with a 7% market share in 2018 (in terms of revenue, including VAT and excluding online sales) (according to SWV). As of January 31, 2021, France, Spain and Other countries, our three geographic segments, represented 67%, 23% and 10%, respectively, of our stores. The retail sale of optical products and hearing aids represented 94% and 6%, respectively, of our network sales for the six months ended January 31, 2021.

Building on our significant market share in our core geographic markets, France and Spain, we have grown our store networks to 1,435 stores as of January 31, 2021. Our like-for-like growth is in part the result of market growth at a CAGR of 1.2% and 1.8% in France and Spain, respectively, from calendar year 2015 to calendar year 2019. In addition, for the same period, network sales for the Alain Afflelou banner have grown at a CAGR of 4.0% and 2.8%, in France and Spain respectively, and outperformed the market by an average of 2.8% and 1.0%, in France and Spain respectively, per year as a result of our brand power and our premium store locations, mainly in city centers and large shopping malls. Our intensive and long-term marketing and advertising efforts and campaigns (including in partnership with key brand ambassadors) have driven the success and power of our brand. In our two main secondary markets, Belgium and Switzerland, network sales for the Alain Afflelou banner grew at a CAGR of 6.4% and 7.3%, respectively, between 2015 and 2019, versus a CAGR of 1.6% for the market as a whole in each of those geographies.

We have been strategically adapting our store perimeter in recent years, which has led to an increase in profitability over the period from 2016 to 2019. As mentioned below, we rely on our strong brand and large network of franchisees. Each additional store that we open (either in our directly-owned stores network or in our franchisee store network) allows us to benefit from economies of scale by spreading our fixed costs over a broader base of stores and sales potential. Such fixed costs include, among other things, administrative fees and structural costs, franchisor and technical support costs and warehousing and inventory management costs, as well advertising and marketing costs relating to the promotion of our brand (which we believe will in turn benefit a larger number of stores and generate a greater volume of sales).

The essential, healthcare nature of our products makes them largely non-discretionary purchases that may, at best, be sometimes delayed but rarely deferred completely. Most of our products are purchased by our customers as a result of a prescription or a medical need. For example, for the six months ended January 31, 2021, 93% of our network sales were generated on sales of glasses (representing 86% of our total network sales) or hearing aids (representing 7% of our total network sales) that were purchased with a prescription. According to 2020 data from Gallileo, 83% of customers indicated their reason for purchasing new glasses was the result of a medical need, as compared to 16% who indicated it was based on personal, non-health-related preferences. In addition, according to 2020 data from Arcane, 89% of customers surveyed indicated that their last eyewear purchase was for prescription glasses. These dynamics create resilience and predictability in our sales as customers and replace prescription products in regular and fairly short intervals (especially in countries where we benefit from a favorable regulatory framework whereby the majority of prescription products are reimbursed by social security and healthcare insurance providers, as is the case in France, our main market). For example, as of 2019, prescription glasses are replaced on an estimated average of 3.9 years in Spain and 2.2 years in France, according to SWV. The rest of our sales result from discretionary purchases, such as sunglasses and optical and hearing aid accessories. Even in times of economic difficulty or pandemics (such as the ongoing COVID-19 pandemic), customers continue to buy and order glasses while our stores (which are classified as "essential" businesses, reflecting the healthcare-nature of the products we sell) remain open or will defer their purchase for only a short period of time. As a demonstration of this effect, after COVID-19-related confinement periods, we have observed a rebound in sales, which

generally outperform the same period in prior years, as customers catch up on overdue purchases for prescription glasses, lenses or hearing aids.

Our business and sales volume has been impacted by the COVID-19 pandemic, but our business has shown itself to be resilient. The classification of our stores as essential businesses has reinforced the importance of opticians and audiologists during a severe public health crisis. We have taken several measures to adapt to the COVID-19 pandemic and related governmental restrictions while safely and effectively serving our customers, including by implementing health and safety measures and changes to our commercial operations, delivering continued customer care (even during strict confinement periods) and accelerating our digital transformation and the development of our e-commerce platform. Despite the closure of some of our stores located in large shopping malls (pursuant to local and national requirements), the decrease in sales from these closed stores has been partially compensated by increased, redirected sales in other stores (for example, in city centers) as customers shift their buying habits to buy or replace their prescription glasses from another of our stores. In that regard, we have used our digital platform to assist customers, by expanding and accelerating the transformation and the range of our online services we provide and which have been heavily relied upon during the COVID-19 pandemic and related confinements, as evidenced by significant expansion in the use of online appointments and redirection of customer traffic from closed to open stores, as well as by making use of our customer relationship management system, which give us the ability to better track customer behavior and forecast business and activities for our franchisees.

We operate in highly attractive markets that are differentiated from traditional retail markets due to the largely non-discretionary and healthcare-related nature of optical and hearing aid expenses and a supportive healthcare reimbursement system in France. We believe that both the optical product and hearing aid markets are supported by positive structural drivers, including demographic trends, changing lifestyles, technological innovations, product penetration dynamics and value-adding product add-ons.

In addition, our signature products are a key value differentiator, generating customer interest and good margins for us and our franchisees. The success of our franchisee-centered business model is demonstrated by the over-performance of our franchisees as compared to the wider market: average revenue per store in our Alain Afflelou banner in France in 2019 was €0.9 million, which is approximately 1.6 times the retail market average and approximately 4.0 times the independent and smaller marketing group retailer store average, and average revenue per store in our Alain Afflelou banner in Spain in 2019 was €0.4 million, which is approximately 2.1 times the retail market average and approximately 4.8 times the independent retailer store average, demonstrating the added value we offer to current and potential franchisees, which helps us retain current and attract new franchisees.

Our strategy is based on strong branding, exclusive products, multi-possession, payment solutions and positive customer experience, based on a multi-banner and multi-offer approach that reaches a variety of price points and target customers. The Alain Afflelou umbrella brand is positioned as a generalist optical product and hearing aid retailer and includes the highly recognizable "Alain Afflelou" optical banner as well as the "Alain Afflelou Acousticien" hearing aid banner. We also operate in the discount activity through the Optical Discount banner mainly in France. Our banners offer a wide range of optical and hearing aid products, including our exclusive products, which consist of (i) signature label frames and sunglasses bearing the "Afflelou" signature; (ii) frames and sunglasses under exclusive licenses; and (iii) other exclusive brands and third-party names.

We connect with and understand consumers in our markets through our communications and marketing efforts, which have created a powerful and enduring brand image, as evidenced by our high brand awareness with customers in our main markets. Among optical retailers, we ranked first in terms of spontaneous and assisted awareness in France, first in terms of spontaneous awareness in Spain and first in assisted awareness in Wallonia (Belgium), and ranked second in assisted brand awareness among hearing aid retailers, according to various market studies conducted in 2018 and 2019. We also connect with consumers via our online presence. We began developing our online presence in 2012 and have progressively been incorporating our online initiatives under a unified digital umbrella. Currently we maintain websites in the languages of the principal countries where our banners operate. Additionally, in September 2016, we acquired two online pure players, Happyview.fr and Malentille.com. We have incorporated the activities of Happyview.fr into our French Afflelou website. Malentille.com continues to serve customers on its own platform with back-end integration with the Group's online activities. We continue to explore ways to further expand our online presence and e-commerce activities.

Our principal activity is to act as a franchisor, licensing the use of our brand and banners to franchisees and providing them with the right to trade under one of our banners and implement our value proposition through our commercial offers. Our directly-owned stores support our principal franchisor activity by (i) serving as flagship locations in and around Paris and other key strategic locations; (ii) helping to test new concepts; and (iii) facilitating store network management.

Our services as franchisor are aimed at helping franchisees grow their sales by fostering a strong brand image, driving customers to our stores through the design and promotion of our commercial offers and facilitating franchisee operations via a number of support services. Our scale and expertise yield tangible benefits to our franchisees, allowing us to offer (i) commercial support and innovation through new commercial offers and through high-impact national and local communication campaigns that create high brand awareness; (ii) access to central listing and purchasing unit services that lower costs for our franchisees; (iii) dedicated services that enhance store attractiveness, including assistance with location selection and store design; (iv) training programs designed to enhance sales performance; and (v) other general support functions, including legal, human resources and recruiting assistance, as well as assistance with joining care networks in France.

Our franchise model also offers tangible benefits to our suppliers by giving them access to our global network of stores. We also provide suppliers with distribution services, including a central listing and payment unit that allows suppliers to list and offer their products to our franchisees, while offering the benefit of having a single counterparty for commercial negotiations and payments. We also support suppliers by actively promoting their innovative products to our franchisees, as well as through sales in our directly-owned stores.

Our franchise model combines: (i) revenue based on network sales of our franchisees (24.6% of our revenue in the six months ended January 31, 2021), (ii) revenue based on purchases (47.4% of our revenue in the six months ended January 31, 2021) and (iii) revenue generated by sales to end-customers in our directly-owned stores (28.0% of our revenue in the six months ended January 31, 2021) and through our websites. Revenue based on network sales includes, in particular: entry fees, franchise fees and communication fees, as well as other fees charged for services that we provide to our franchisees. Revenue based on purchases includes, in particular: trading as well as central listing and payment unit fees and licensing fees and revenue from sales of our exclusive products. Revenue generated by our directly-owned stores mainly includes sales made directly to end-customers in those directly-owned stores, as well as through our websites. This model provides us with revenue diversification.

Our main costs are related to the supply and production of products that we sell under our own brands or for which we have a license. For our exclusive frames, Okia, a company based in China, has long been our favored intermediary. Okia is not a manufacturer but sources its products from a network of independent factories in Asia and allows us to benefit from optimal production conditions through this unique commercial relationship.

## **COMPETITIVE STRENGTHS**

### ***We operate in resilient and predictable largely non-discretionary healthcare markets that benefit from established structural growth dynamics***

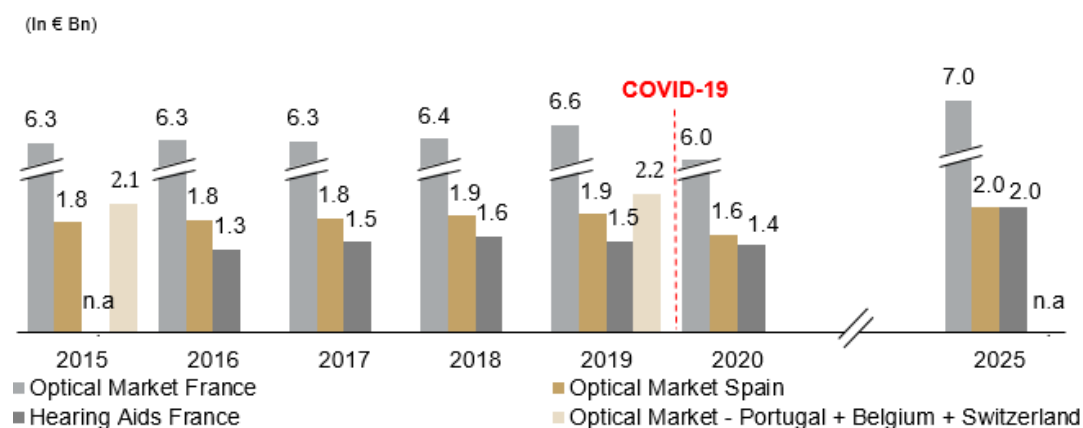
Our markets are attractive and growing, are differentiated from traditional retail markets by the largely non-discretionary and healthcare-related nature of most of the optical and hearing aid products we sell, which drives stability and predictability, and are underpinned by established structural growth dynamics, including growing and aging populations that are expected to drive increased demand for both optical and hearing aid products in coming years.

Consumers replace their glasses, contact lenses and hearing aids multiple times over their lifetime and for a variety of reasons, including for health reasons, such as changes in vision and hearing levels, as well as due to loss, damage, improved technology and changing fashion trends and consumer preferences. These factors drive stable replacement cycles: for example, as of 2019, the estimated average replacement cycle for prescription glasses is 3.9 years in Spain and 2.2 years in France (as compared to 3.8 years and 2.4 years in 2012, respectively), according to SWV. As discussed further below in "*We sell essential healthcare-related products, most of which represent non-discretionary spending by our customers, making our business resilient and predictable*", most of our products are purchased because a customer has a medical need, which distinguishes these products from traditional retail and consumer goods and creates relative resilience and predictability in our markets.

The market for optical products in our core markets is large: in 2020, 54% of the French population required vision correction, according to SWV. These markets are also expanding as their populations age: SWV estimates that, by 2025, 46.7% of the French population and 52.7% of the Spanish population will be over the age of 45 and that 56% of each of the French population and 53% of the Spanish population will wear prescription glasses (as compared to 54% and 52% in 2020, and 51%, respectively, and 48% in 2012, respectively). Because eye and ear conditions, such as farsightedness and age-related hearing loss, usually develop after the ages of 40 and 55, respectively, and generally become more common and serious with age, the number of potential customers should increase as a consequence of the aging of the population in the countries in which we operate, with similar tailwinds benefitting both optical products and hearing aids.

The optical product and hearing aid markets are also supported by other positive structural demographic trends and other growth levers, including changing lifestyles, technological improvements and product penetration dynamics. For example, we believe that evolving technology for corrective lenses and hearing aids, particularly improvements in multi-focal lenses and increasingly small microphones leading to smaller hearing aids, as well as shifting customer preferences as seen in increasing demand for custom lenses, leads consumers to replace old equipment and should contribute to increased average basket sizes over the mid- to long-term, which we expect to be further aided by favorable reimbursement dynamics in France, our key market.

As a result of these factors, the French optical products market grew at a compound annual growth rate ("CAGR") of 1.2% over the 2015 to 2019 period, from €6.3 billion to €6.6 billion, declining to €6.0 billion in 2020, which we believe was largely the result of the COVID-19 pandemic and the one-off negative impact of contraction driven by the 100% Santé changes, and is forecast to grow to €7.0 billion in 2025 (representing a CAGR of 0.7% over the 2019 to 2025 period), the Spanish optical products market grew at a CAGR of 2.0% over the 2015 to 2019 period, from €1.8 billion to €1.9 billion, declining to €1.6 billion in 2020, which we believe was largely the result of the COVID-19 pandemic, and is forecast to grow to €2.1 billion in 2025 (representing a CAGR of 1.3% over the 2019 to 2025 period), in each case according to SWV, and the French hearing aid market grew at a CAGR of 4.8% over the 2015 to 2019 period, from €1.2 billion to €1.5 billion, declining to €1.4 billion in 2020, which we believe was largely the result of the COVID-19 pandemic, and is forecast to grow to €2.0 billion in 2025 (representing a CAGR of 43.6% over the 2019 to 2025 period), according to GfK and SNITEM. The chart below shows the evolution of the optical markets in France, Spain and Portugal, Belgium and Switzerland and the hearing aid market in France for the calendar years presented, as well as projections for 2025.



Sources: Optical market of France and Spain as per SWV; hearing aid market of France as per GfK (2016-2019) and Xerfi (2020-2025); Belgium and Switzerland optical market as per SWV; optical market of Portugal as per DBK

We are seeing strong indications of an acceleration in the hearing aid market, particularly in France. Hearing aids have historically been an under-penetrated product class in our markets with only approximately 35% to 40% of people in France who need hearing aids being equipped, due in large part to historically prohibitive costs that have led patients to delay spending on the devices they need. We expect to see significant growth in the hearing aid market in France in the coming years, resulting from at least the partial correction of this historic under-penetration and further driven by the regulatory changes relating to RAC Zéro (the zero-cost to consumer offer under French regulation for hearing aids (since January 2021)) that have come into effect from January 2021, which make hearing aids significantly more affordable to those who need them. We believe that many people who require hearing



aids in order to help them achieve normal levels of hearing have delayed these purchases due to the high cost of these products before the implementation of RAC Zéro as well as specifically in anticipation of the implementation of the RAC Zéro scheme. We expect to benefit from a "catchup effect" in hearing aid sales in the coming years as people become aware of and are able to benefit from the RAC Zéro changes.

Xerfi forecasts that the French population will grow at a CAGR of 0.3% per annum from 2020 to 2025 and forecasts that the population having hearing impairments will grow by 0.9% over the same period, mainly due to the growth of the population of people aged over 65 being forecast to grow at a CAGR of 0.9% over the same period. The French hearing aid market is characterized by lower penetration rates (estimated to be around 40% according to a 2018 EuroTrak study and may be as low as 35% according to Xerfi in 2020) as compared to over 95% for the French optical market. Hearing loss is an increasingly common and irreversible phenomenon that comes with aging and which is amplified by certain lifestyle choices, such as living in noisy environments or excessive use of headphones. The prevalence of hearing loss is positively correlated with the increasing population of people aged 65 and older (which is expected to grow from 20.5% in 2020 to 22.1% in 2025), as well as with increasing levels of noise pollution. It is estimated that more than a quarter of the population of people aged 65 and over have some degree of hearing loss. The recent changes brought by 100% Santé are expected to increase the use of hearing aids. Xerfi estimates that the total population of people in France with a hearing impairment to be 6.9 million people in 2020, with only 40% being equipped, according to a 2018 EuroTrak study. Driven by the 100% Santé changes, Xerfi estimates that the proportion of people equipped will grow to 43% (3.1 million people) by 2025.

***We sell essential healthcare-related products, most of which represent non-discretionary spending by our customers, making our business resilient and predictable***

The healthcare-related nature of our products makes them largely non-discretionary purchases that may, at best, be sometimes delayed but rarely deferred completely. Most of our products are purchased because a customer has a medical need: for the six months ended January 31, 2021, 93% of our sales were generated on sales of glasses (86%) or hearing aids (7%) that were purchased with a prescription. According to 2020 data from Gallileo, 83% of customers indicated their reason for purchasing new glasses was due to need, as compared to 16% who indicated it was based on personal, non-health-related preference and, according to 2020 data from Arcane, 89% of customers surveyed indicated that their last eyewear purchase was for prescription glasses. These dynamics create resilience and predictability in our markets.

The COVID-19 pandemic has offered strong indications of this resilience: the rebound of our networks following the initial emergence of the COVID-19 pandemic, with 14.3% year-on-year growth in like-for-like network sales in the three months ended October 31, 2020, 10.0% year-on-year growth in like-for-like network sales in the six months ended January 31, 2021 and 25.1% year-on-year growth in Adjusted EBITDA in the first quarter of the current fiscal year (9.9% in the first half of the current fiscal year) demonstrates the largely non-discretionary nature of most of our products, as does year-on-year growth of 26.3% in like-for-like network sales in the six months ended January 31, 2021 in our hearing activity. We believe that even when certain of our stores have been closed due to COVID-19-related restrictions, the net result was that many purchases were either merely redirected to other stores in our network, rather than not being made or being deferred over the long-term, or were merely delayed until our stores reopened. As evidence of the latter, we observe a "catchup" effect whereby, when our stores reopen after COVID-19-related closures, we often see customers making purchases that they had been planning or waiting to make during such closures.

Additionally, measures aimed at curbing the spread of COVID-19 have evolved favorably for our industry in our core geographies. For example, since the second confinement in France, which began in November 2020, the sale of optical and hearing aid products has been deemed an "essential" service, in recognition of the non-discretionary healthcare needs addressed by these items, which has generally allowed our stores to remain open (where not otherwise limited by other restrictions that are not specific to the optical and hearing aid sectors, such as those currently in place for large shopping centers in France). This represents a significantly improved operating environment for our industry, as compared to the more restrictive and exceptional confinement measures imposed in France during the first wave of the COVID-19 pandemic in the spring of 2020, when our stores were generally limited to providing "emergency" services.

Finally, we believe that our franchisees have weathered the COVID-19 pandemic well overall. For example, we are observing that few of our franchisees are continuing to request payment deferrals in

connection with COVID-19-related financial challenges and most are in the process of paying back previously-requested deferrals, which we believe is an indicator of their financial stability.

***We benefit from a highly-developed and supportive reimbursement system for healthcare-related products in our core French market***

Regulatory dynamics in France have historically been favorable to our business, as well as being stable over the long-term, which has further driven resilience and predictability in our French business. In addition, we believe that recent regulatory changes will be, on the whole, neutral for our optical business and beneficial for our hearing aids business.

For our business, the key benefit of the French health insurance reimbursement framework is that it has the overall effect of reducing the price sensitivity of our customers and coverage by the private segment of this framework is nearly total: in 2020, approximately 99% of the French population was covered by a private health insurance plan or CMU, according to Gallileo. While the French *public* health insurance system reimburses only approximately 4% of customers' optical expenses, the policies of French *private* health insurance companies (*organismes complémentaires d'assurance maladie*, known as "**OCAMs**") generally reimbursed at least 70% of such expenses in 2020, according to Gallileo.

The 100% Santé regulatory changes, including the RAC Zéro offer, have had the further effect of reducing customer price sensitivity as well as reducing out-of-pocket customer costs for both optical and hearing aid products, which we believe will drive sales going forward, particularly for our hearing aid products. With the full impact of RAC Zéro taking effect from January 2021, customers can now purchase hearing aids at zero out-of-pocket cost (as is already the case for optical products). According to a 2018 EuroTrak customer survey, people wait an average of three years between becoming aware of their hearing loss and purchasing hearing aids, while hearing aids are used for an average of six years before being replaced. We expect the long-term impact of RAC Zéro to include motivating customers who previously deferred hearing aid purchases to make such purchases, particularly for customers who were deferring such purchases in anticipation of the RAC Zéro changes coming into effect.

***We are a deeply-entrenched optical and hearing aid market leader that benefits from high brand awareness***

We are a well-known and trusted leader in the optical and hearing aid markets in which we operate. The Alain Afflelou umbrella brand is positioned as a generalist optical and hearing aid retailer and includes our deeply-entrenched "Alain Afflelou" optical banner and our "Alain Afflelou Acousticien" hearing aid banner.

The Alain Afflelou banner benefits from high brand awareness across our main geographies, consistently ranking #1 in spontaneous and assisted awareness for optical retailers in France (as measured by Arcane, Galileo and Opinionway), as well as in Spain (as measured by Punto de Fuga), and #2 in French-speaking regions of Belgium (as measured by CSA). We believe that we are well-positioned to maintain this market-leading brand awareness as these markets grow and evolve.

We regularly receive awards for our offering and our customer service. We have also won a number of industry awards in both France and Spain, such as optical customer service provider of the year by the *Elu service client de l'année* (ESCDA) market survey, conducted by Viseo Customer Insights, in France for five years in a row (2017, 2018, 2019, 2020 and 2021), "*Óptica del año*" by Inma Stratmarketing for best optician in Spain in 2015, 2016, 2017 and 2018, "best franchise in shopping centre" by the Asociación Española de Centros Comerciales in 2018 and "foreign franchise with the best implantation in the Spanish market" by the Asociación Española de Franquicias in 2018, as well as for our television and video advertisements which customers easily recall. Some of our franchisees also won the award of best hearing aid and optical franchisee in France in 2018 and 2020 by the *Fédération des Réseaux Européens de Partenariats et de Franchise* (IREF).

We have a long history of developing successful marketing and branding concepts, offers and products, such as Tchin Tchin (second pair of glasses for €1, launched in 1999), NextYear (payment in installments over 12 to 24 months, launched in 2009) and Magic (innovative glasses with magnetic clips, launched in 2017), which we believe help us grow and maintain our high levels of brand awareness and keep our brand fresh and top of mind with new and potential customers. Where appropriate, we sometimes expand a brand concept across our product offerings, as we did when we brought our Tchin Tchin concept to our hearing aid banner in 2019.

***We are a leading European franchisor, with a proven business model that is founded on long-standing and strong relationships with franchisees and is positioned at the heart of the value chain***

We are one of the leading franchisors in the European optical product and hearing aid markets, with over forty years of experience partnering with our franchisees in our core markets (France and Spain) as well countries that border our core markets (Belgium, Luxembourg, Switzerland and Portugal) and satellite markets in the Middle East, Africa, Asia and South America, where we continue to grow strategically. Our franchise business is our core activity: as of January 31, 2021, our franchised store network included 1,435 stores, which generated network sales of €428.8 million in the six months ended January 31, 2021. During the same period and despite the COVID-19 pandemic, we succeeded in opening 34 stores across our network.

We have developed our successful franchise model, which has particular, historical strength in the optical product sector, by combining the power of our brands with commercial innovations and close relationships with franchisees and suppliers: we believe this model sets us apart from our competitors.

Since 2003, we have successfully taken this differentiated operating model, which we have developed and refined with decades of experience in our core geographical and product markets, and rolled it out to other countries, as seen by our success in building our networks in Spain, Belgium, Switzerland and Luxembourg, in particular. We have historically had good results in rolling this model out in countries with French-speaking populations but believe this model also works well in non-French speaking countries and regions, as shown by the strength of our network in Spain. Since 2011 (save for 2013 to 2016, during which period LSFA developed the hearing aid business in France outside of the Group), we have also rolled this model out in the hearing aid markets in France and Spain, demonstrating that it works well across complementary product groups as well as across strategically-selected geographies.

We operate the largest French optical product franchise network in terms of both revenue and number of stores and the Alain Afflelou banner is the third-largest optical banner overall in terms of number of stores, with a 10% market share (in terms of revenue, including VAT and excluding online sales) in a fragmented market that has historically included many independent retailers (according to SWV).

In addition to our historical French market, we have a large and well-developed network Spain, our second core domestic market, where we had 336 stores as of January 31, 2021. In 2019, we operated the largest optical product franchise network in Spain in terms of number of stores) and were the fourth largest optical retail chain, with a 7% market share (in terms of revenue, including VAT and excluding online sales) (according to SWV).

In the hearing aid market, under our Alain Afflelou Acousticien banner, we have grown faster than the market average (57.4% over the 2016 to 2019 period, as compared to 9.3%, according to GfK) and held an approximately 3% market share in France in 2020 (in terms of network sales). We operate Alain Afflelou Acousticien with fundamentally the same sustainable business model as our successful Alain Afflelou banner, including as to how contributions and fees are paid from franchisees. As a result, we believe that, over the long-term, profit levels at Alain Afflelou Acousticien will eventually converge with and stabilize at levels comparable to our Alain Afflelou banner.

Our business model is mature and well-developed, with a controlled fixed cost base such that, when sales increase, we benefit from economies of scale that drive higher margins. In addition, our franchise model combines multiple sources of revenue from both franchisees (comprising franchise fees (entry fees and royalty fees) and communication fees, as well as wholesale activity revenue from the sale of exclusive own-branded products and central purchasing unit revenue) and suppliers (comprising central listing and payment fees and license royalties). This approach provides us with revenue diversification and attractive margins, as demonstrated by our 23.4% and 28.4% Adjusted EBITDA margin (Adjusted EBITDA as a percentage of revenue, on a pre-IFRS 16 basis) for the twelve and six months ended January 31, 2021, respectively. We also leverage our directly-owned store network to manage, support and develop our franchise business. Our directly-owned stores support our principal franchisor activity by serving as flagship locations in and around Paris and other key strategic locations, helping to test new concepts and facilitating store network management.

The success of our franchisee-centered business model is also demonstrated by the over-performance of our franchisees as compared to the wider market: average revenue per store in our Alain Afflelou banner in France in 2019 was €0.9 million, which is approximately 1.6 times the retail market average and approximately 4.0 times the independent and smaller marketing group retailer store average and

average revenue per store in our Alain Afflelou banner in Spain in 2019 was €0.4 million, which is approximately 2.1 times the retail market average and approximately 4.8 times the independent retailer store average, demonstrating the added value we offer to current and potential franchisees, which helps us retain current and attract new franchisees.

The success of our business model is founded on our place at the center of the relationships among our suppliers, franchisees and customers, which brings value to each of these groups. For example, our scale and expertise generates multiple synergies and offers tangible benefits to our franchisees. For example, we provide our franchisees with commercial support and innovation through new commercial offers, including high-impact national and local advertising campaigns that create high brand awareness, access to central purchasing unit services that lower their costs, dedicated services that enhance store attractiveness (including assistance with location selection and store design), training programs designed to enhance sales performance and other general support functions, including human resources, recruiting assistance and financing assistance. Our signature products are another key value differentiator for our franchisees, generating customer interest, with affordable products that offer good margins, which benefit our franchisees as well as us.

We support our franchisees with long-term commitments to their success, as shown by how we help our franchisees adapt to change, such as through our Adelante financial support program (which we believe is a differentiator that few of our competitors are able to match), our Elite program (which is designed to assist franchisees that are underperforming), assistance with store refurbishments and support for adding hearing aid corners that make optical stores more attractive. We are also there to help our franchisees face exceptional challenges: throughout the COVID-19 pandemic, we have supported our franchisees in a variety of ways, including offering solutions that allowed them to defer an aggregate of €30 million in franchisee payables, in addition to €15 million of bank loans that we guaranteed. Repayments on these deferred amounts have been steady thus far and are expected to generate exceptional cash flows in the second half of the current fiscal year.

Our franchise model also offers tangible benefits to our suppliers by giving them access to our large store network. We provide suppliers with distribution services, such as access to our central listing and payment unit that allows suppliers to list and offer their products to our large network of franchisees. We also centralize payments from our networks to obtain optimal terms and facilitate credit management, to the benefit of these suppliers. We further support suppliers by jointly developing and actively promoting their innovative products to our franchisees, as well as through sales in our directly-owned stores. We believe that this value-added approach creates stable and reliable relationships with our suppliers, which in turn drives cost-efficiency for us and makes us a more attractive partner to our franchisees.

***Our multi-dimensional business model is data-driven, flexible and tailored to our customers' needs***

We leverage our historical strength in the French and Spanish optical product markets and employ a generalist concept that is primarily focused on city centers, while strategically diversifying our offering to respond to changing dynamics in our markets. To that end, we have developed (i) a multi-channel concept that is supported by the execution of a digital transformation plan that helps us tailor our customers' experiences to their needs and preferences, while expanding our digital presence with "click-and-mortar" functionality, (ii) multiple store formats that respond to varied customer preferences while actively managing our store networks to adapt to evolutions in our markets and (iii) a complementary hearing aid business, grounded in standalone franchised stores as well as value-additive hearing aid corners within existing optical stores. We believe that this approach and these developments help us better serve our customers and our franchisees and in turn makes us an attractive partner for our suppliers.

- ***Multi-channel, digital evolution of our business model***

In recent years, we have invested deeply in digital transformation focused on developing forward-thinking, multi-format and fully-integrated customer relationship management ("CRM") tools, which make valuable data available to us that help us understand our customers and tailor our offerings to meet and anticipate their needs. We made investments of approximately €3.0 million in these tools in the six months ended January 31, 2021. We are currently very well-equipped to gather and analyze data from our franchisees, websites and directly-owned stores: most of our franchisees provide us with sell-out data, which we use to understand customer behavior and to adjust our purchases based on evolutions in customer preferences. We believe that we are well-positioned to pivot from the investment

phase of our digital transformation and CRM plan to a growth phase that puts this data to work for us and for our franchisees.

In our core markets, prescription healthcare-related products require in-store appointments and in-person consultations with licensed opticians and audio prosthetists. As these in-person consultations cannot be provided online, we believe our extensive store network in France and Spain provides us with a significant advantage over disintermediated online retail platforms.

We also continue to develop our online tools to provide our customers with an integrated shopping experience that is complementary to our store networks, to the benefit of our franchisees as well as us. Our websites offer inspiration to our customers, who can browse, select and order frames online for delivery in a store, where their glasses are fitted and lenses are mounted by our trusted professionals. By allocating online-generated sales to specific stores, we increase store traffic and limit cannibalization, to the benefit of our franchisees.

We are also increasingly promoting the use of online bookings for in-store appointments, which reduces wait times, improves store efficiency and also helps to drive traffic into stores, with significant customer uptake on this value-added service in past year. In January 2021, approximately 25,000 in-store appointments (21% of total in-store appointments and a 15% increase from January 2020) were booked online, as compared to approximately 200 in January 2020. This tool helps us to track and forecast flows in our business and to re-direct traffic as needed, creating more predictability for our stores and letting us offer a more personal experience to our customers.

In recent years, we have made successful acquisitions in the online space, with the purchase of Happyview.fr and Malentille.com in 2016, and we continue to explore ways to continue to strategically expand our presence in the online market for optical products and to acquire know-how to replicate across our existing online platforms. We are present on social media (Facebook, Twitter, LinkedIn, Instagram, Pinterest, YouTube and TikTok) and have developed apps and webtools that our customers can use to interact with our product offering, for example allowing them to book appointments, track their contact lens replacement cycle, to locate the nearest store or to virtually try on our frames. We are currently developing a comprehensive approach for our digital business, in order to have a first-mover advantage in regards to digital transformation, consistent with our historical marketing positioning, and in light of the fact that e-commerce penetration in our sector remains in its early stage.

- *Multi-format business model, continuously adapted to meet the future*

We actively manage our store networks and store formats, using our expertise to identify changes in the market and to adapt our store locations, formats and sizes to meet demand and emerging opportunities, including through strategic relocations, adjustments to store sizes in city centers and development of larger store formats outside city centers. In recent years, a growing share of our franchised stores have been located in shopping centers and retail parks. While these locations have been impacted to a greater degree than certain other store formats during the latter part of the COVID-19 dynamic, we are optimistic that we will continue to be able to adapt our networks to meet customer demand going forward.

- *Multi-offering approach, combining our historical optical business with a complementary hearing aid offering that responds to anticipated growth in demand supported by a new, supportive healthcare framework in France*

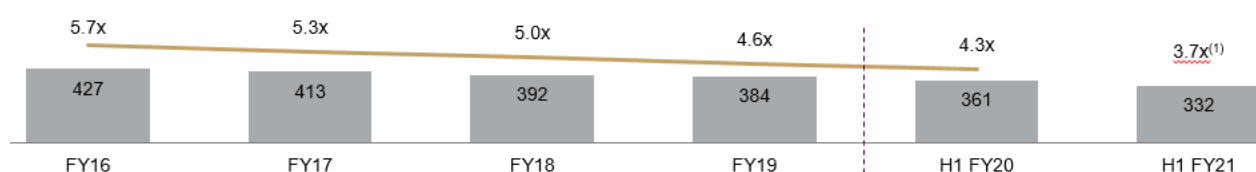
Since 2011 (save for 2013 to 2016, during which period LSFA developed the hearing aid business in France outside of the Group), we have pursued a multi-offer strategy through the creation of our complementary Alain Afflelou Acousticien banner in the French and Spanish hearing aid markets, as well as our Afflelou Sun concept in France and Spain. We have modelled the Alain Afflelou Acousticien strategy on our successful approach in the French and Spanish optical product markets, capitalizing on key success factors, such as our experience as a large franchisor, our strong brand awareness, our disruptive, price-focused approach and our history of commercial innovation, and leveraging our significant store network to develop cross-selling opportunities and synergies, such as through the opening of hearing aid corners within optical stores, and to expand our footprint in a cost efficient manner.

We believe the 100% Santé changes that took full effect in France from January 2021 will drive increased penetration in the currently underpenetrated French hearing aid market, as these products are now significantly more affordable for those who need them but are not yet equipped or those who may need to replace their existing equipment. We believe our well-established Alain Afflelou banner is

poised to capture growth in this market in which we believe there is significant growth potential in the mid- to long-term.

**We have a robust financial track record of high profitability, healthy cash generation and steady deleveraging**

Our business model, based on our highly-developed franchise business and asset-light, controlled fixed cost base that requires limited working capital and capital expenditure, drives our stable, healthy and predictable margins and cash generation. Before COVID-19, our Adjusted EBITDA as a percentage of network sales was consistently above 10% and our free cash flow was consistently above 80%, in each case from the fiscal year ended July 31, 2016 to the twelve-month period ended January 31, 2020 (pre-IFRS 16), while the ratio of our third-party net debt to our Adjusted EBITDA declined steadily from 5.7x as of July 31, 2016 to 4.3x as of January 31, 2020 (pre-IFRS 16). The table below presents our third-party net debt and leverage (pre-IFRS 16) from July 31, 2016 to January 31, 2021. See "Presentation of Financial and Other Information—Other Financial Measures—Adjusted EBITDA and Normalized EBITDA".

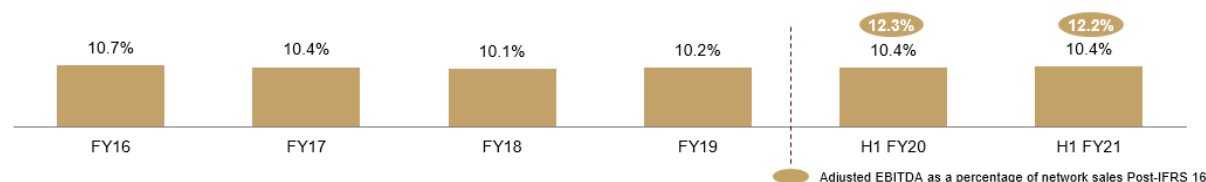


Source: Group information.

Note: (1) Based on pre-IFRS 16 Normalized EBITDA of €89.0 million.

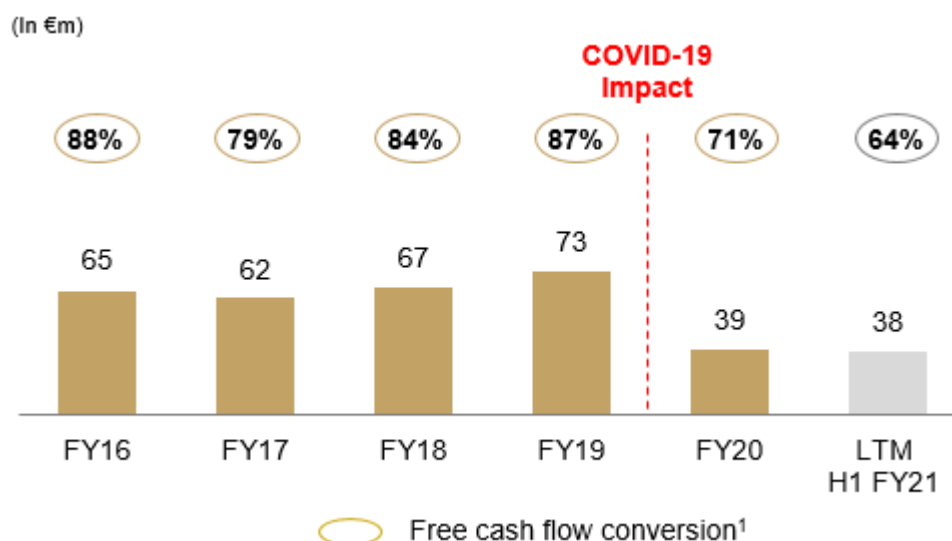
Despite the impact of COVID-19, we have reduced our net debt by €29.2 million from January 31, 2020 to January 31, 2021 (pre-IFRS 16). The graphics below show our Adjusted EBITDA as a percentage of network sales and our free cash flow and free cash flow conversion (in each case, pre-IFRS 16) from July 31, 2016 to January 31, 2021.

**Adjusted EBITDA as a percentage of network sales**



Source: Group information.

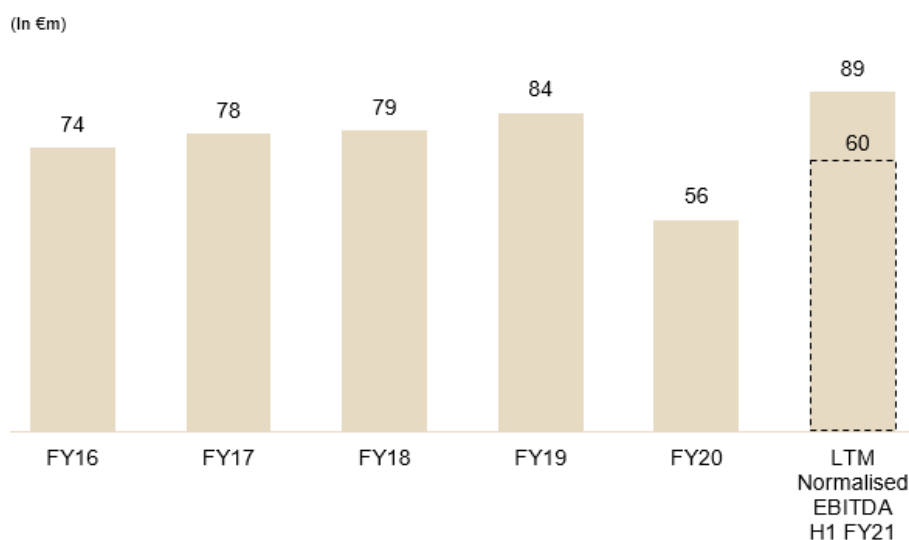
**Free cash flow and free cash flow conversion**



Source: Group information.

Note (1) - Defined as (Adjusted EBITDA - net capital expenditure - income tax paid)/Adjusted EBITDA

The chart below presents the evolution of our Adjusted EBITDA (pre-IFRS 16) from July 31, 2016 to January 31, 2021, with the LTM January 31, 2021 figures presenting our actual EBITDA for the twelve months ended January 31, 2021 (€60 million) as well as our Normalized EBITDA as calculated by adding our Adjusted EBITDA for the six months ended January 31, 2021 (the first half of the fiscal year ending July 31, 2021), adjusted to eliminate the estimated impact of the application of IFRS 16, to our Adjusted EBITDA for the six months ended July 31, 2019 (the second half of the fiscal year ended July 31, 2019) (€89.0 million). See footnote 14 under "Summary Historical Consolidated Financial Information and Other Data—Other Financial Information" and "Presentation of Financial and Other Information—Other Financial Measures—Adjusted EBITDA and Normalized EBITDA".

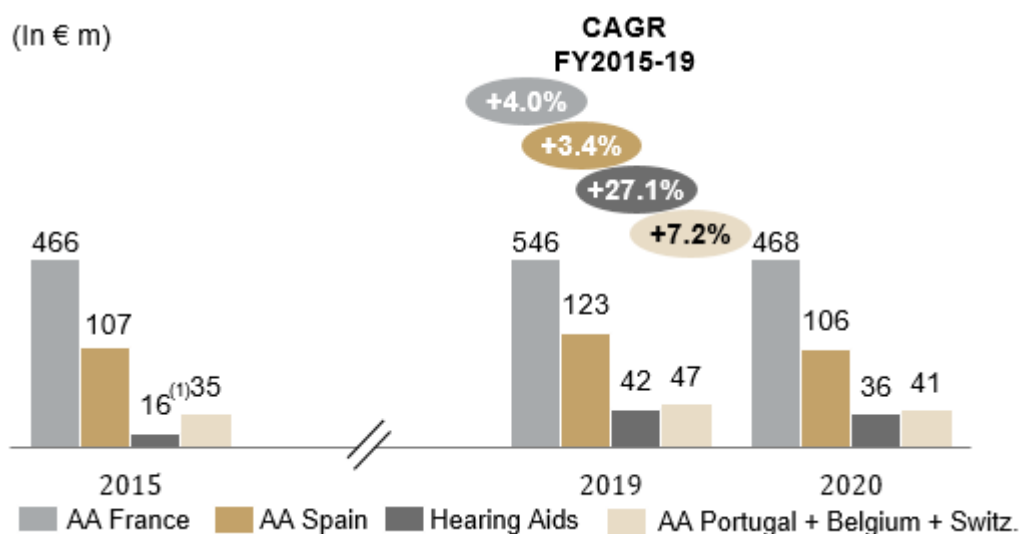


Source: Group information.

As a franchisor, we have built an asset-light model that requires limited capital expenditure to expand our networks, as almost all capital expenditures for the franchised stores in our networks are borne by our franchisees, who are responsible for their own store investments. From time to time, we support the expansion of the network through our Adelante program, which assists our franchisees in raising bank lending for expansions. We only bear the investment costs for our limited network of directly-owned stores, which also helps us keep our capital expenditure needs relatively low: these needs generally correspond to the maintenance of our directly-owned stores perimeter and the purchasing and selling of directly-owned stores on behalf of franchisors.

Our financial performance is also bolstered by strong network sales, which grew in the fiscal year ended July 31, 2019, to €818.5 million, as compared to €781.5 million for the fiscal year ended July 31, 2018 and €752.6 million for the fiscal year ended July 31, 2017. Despite the impact of COVID-19, we have still generated strong network sales since the start of the pandemic, with network sales in the six months ended January 31, 2020 of €388.0 million, as compared to €401.9 million for the six months ended January 31, 2019, and €428.8 million for the six months ended January 31, 2021. Our store count and network sales have benefited from the acquisitions described above, as well as the strength and reputation of our franchise network, which incentivizes franchisees to open new stores and expand our store network. This growth was evidenced by an increase in our revenues and our ability to maintain Adjusted EBITDA margins above 20% for the fiscal years ended July 31, 2016, 2017, 2018 and 2019 (on a pre-IFRS 16 basis), as well as a 23.4% and 28.4% Adjusted EBITDA margin (Adjusted EBITDA as a percentage of revenue, on a pre-IFRS 16 basis) for the twelve and six months ended January 31, 2021, respectively. We believe that strong network sales performance is a lever that can drive bottom-line improvement, particularly in our hearing aids business and in our networks in countries that border our core markets, where we believe there is room to grow off the back of economies of scale driven by our franchise model and fixed cost base, as network sales growth generally requires limited capital expenditure.

The chart below presents the network sales for our Alain Afflelou France banner, our Alain Afflelou Spain banner, our Alain Afflelou banner in Portugal, Belgium and Switzerland and our hearing aids business in France and Spain for the 2015, 2019 and 2020 fiscal years.



Source: Group information.

Note: (1) Pro forma adjusted for LSFA's network sales in France in fiscal year 2015. LSFA was acquired on July 31, 2016.

Additionally, we have historically achieved strong cash flow generation and attractive free cash flow conversion dynamics, with a 78.0% free cash flow conversion rate for the six months ended January 31, 2021, as a result of our limited capital expenditure needs and working capital requirements. We also believe there are significant profitability upside opportunities from operating leverage within our developing businesses, such as our hearing aids business and our operations in countries that border our core markets.

We also have limited working capital requirements, supported by the soundness of our network and quality of their payments. As noted above, we have provided financial assistance to our franchisees to help them weather the COVID-19 pandemic. On the whole, franchisees have repaid amounts borrowed in short order (with just €12.6 million of such COVID-19 loans to franchisees being outstanding as of January 31, 2021, as compared to €25.7 million as of July 31, 2020) and repayments on these deferred amounts are expected to generate exceptional cash flows in the second half of the current fiscal year of around €2 million per month). Further, in our Alain Afflelou banner in France, a very limited number of stores have requested support or have had difficulties satisfying their monthly payment obligations relating to our central payments structure since the start of the current fiscal year, which we believe is an indicator of our franchisees' financial stability.

We had a strong liquidity position of €117.4 million as of January 31, 2021 (as compared to €76.9 million at July 31, 2020, showing how our liquidity has weathered the COVID-19 pandemic thus far).

These factors contribute to a robust record of cash generation, strong free cash flow, free cash flow conversion and profitability. Our profitability combined with strong cash flow generation and limited capital expenditures needs and working capital requirements have allowed us to reduce our leverage: the ratio of our third-party net debt to our Adjusted EBITDA decreased from 5.7x as of July 31, 2016 to 4.6x as of January 31, 2019. Supported by our operational performance and cashflow generation, we have de-levered by 1.6x since the 2017 refinancing, building cash on balance sheet to €117 million as of January 31, 2021. We will be refinancing the Existing Notes, be fully paying down the PGE Loans and have €30 million available under the New Revolving Credit Facility in connection with the Transactions, bringing the opening liquidity position to approximately €41 million. *Pro forma* for the Transactions, our net secured debt ratio and our total net debt ratio will be 3.8x and 5.2x, respectively, based on Normalized EBITDA of €104.1 million.

#### **We are led by an experienced management team with a proven track record**

We benefit from the experience and industry know-how of our senior management team. The Non-Executive Chairperson of the Board of Directors of the Issuer, Rachel Marouani, started her career in



1994 at Alain Afflelou and in the following decades gained significant experience with Frantour, Accor Group and LVMH Group. Rachel was CEO of FRED Jewelry from 2012 to 2017 and CEO of Make Up For Ever from 2017 to 2019. She has been awarded the French Government "*Médaille nationale du mérite*" for her contribution to commerce. The members of our executive committee have an average of 12 years of experience with the Group, and most have worked together as a team for many years and benefit from significant experience in the retail, optical and hearing aid industries, in addition to having a thorough understanding of the regulatory dynamics in the jurisdictions where we operate. Our management team has delivered significant operational improvements in recent years and achieved consistent Adjusted EBITDA growth in recent years despite evolving market conditions.

## **STRATEGY**

Our strategy has six pillars: (i) increase our franchise network footprint in our domestic markets through new store openings while continuing to optimize our efficiently-managed network and enhance our multi-channel offering; (ii) achieve our digital transformation goals, (iii) drive organic growth through marketing innovation and central support to franchisees; (iv) accelerate our expansion in the hearing aid markets with support in France from the 100% Santé changes that are expected expand this market; (v) further penetrate the European market in border countries and focus on network density and (vi) continue delivering operating efficiencies at Group-level.

### ***Increase our franchise network footprint in our domestic markets***

We intend to further develop our network through new franchised store openings in our domestic markets (France and Spain) within our Alain Afflelou banner, while continuing to optimize our network, including our first price banner. We believe that there is still headroom to add to our Alain Afflelou networks in France and Spain. We also believe we will be in a position to seize opportunities, both in terms of white space in the retail space that has emerged since the beginning of the COVID-19 pandemic and due to more independent opticians being willing to join a larger banner. In past years, we have offered strong support to franchisees in order to expand our network, such as our Adelante program in France and Spain, which facilitates the opening and purchase of optical stores for new franchisees. We also believe there are also several avenues for continued network optimization, including more actively managing our network and redeploying stores in order to capture more consumer traffic.

### ***Achieve our digital transformation goals***

We intend to continue implementing our digital transformation, which is a process we accelerated during 2020, in part as a response to the COVID-19 pandemic, such as through the shift to significant numbers of online appointment bookings during 2020, which helps our franchisees to redirect customers and to carefully observe relevant restriction measures.

Our digital transformation plan relies on a data-centric approach, in which we have made significant investments and have achieved notable success in recent years. We have a large customer database and have put in place strong support system from our franchisees and links with their point-of-sale systems, which we believe helps us to offer better service to customers. We believe that continuing to implement our digital transformation plan, including by optimizing our existing framework and rolling out new tools will help us increase the loyalty of our existing clients and as well as to attract new clients. Part of our digital transformation plan also involves the roll-out of digital screens, tablets and other innovative tools that are aimed at improving the customer experience in the store. On the communication side, we also intend to continue growing our presence on various social media platforms, as a growing part of our total communication efforts. Finally, we intend to strengthen the multi-channel experience we offer to our customers. We currently have a "click-and-mortar" approach that encourages customers to explore and test products online before ultimately buying products in one of our stores. Through our online offers at Afflelou.com and Malentille.com, we also continue to serve customers online. As an example of this approach, we opened our first fully digitalized store in Portal de l'Àngel, Barcelona in April 2021.

### ***Drive organic growth through marketing, innovation and central support to franchisees***

We intend to continue growing our store network by enhancing our brand image, including by promoting awareness of our banners and commercial offers, remaining engaged with customers and potential customers through innovative communications campaigns and further strengthening access to potential customer pools by encouraging and assisting franchisees' accession to care networks in France. With respect to our franchised store network, we will seek to maintain our strong framework of services and

support functions to enhance franchisee customer service and financial performance, including opening, day-to-day and *ad hoc* support, such as through access to our central purchasing unit services, our expanded *prêt-à-porter* logistics platform and customer relations training programs that acquaint franchisees and their employees with the benefits of our latest commercial offers. We believe these services increase customer satisfaction and improve performance in our stores, which are key drivers of our financial performance. We will continue to extend a variety of services that we have put in place in recent years, like training (including e-training) for our franchises and dedicated support (such as our *Elite* program, which is designed to assist franchisees that are underperforming. Additionally, we intend to continue our rollout of a multi-offer approach, converting existing franchisees into operators under both our optical and hearing aid banners, such as by encouraging optical franchisees to add hearing aid or sunglasses corners in their stores. We believe that our strong focus on cultivating and promoting our franchisee-centered business model will continue to support robust levels of revenue per store in France and Spain, which have historically outperformed independent retailers' levels of sales.

### ***Accelerate further expansion in hearing aid products in all existing markets***

We intend to continue our rapid expansion into the hearing aid market, with the aim of becoming a reference brand in this market. In France, we benefit from the 100% Santé changes, which make hearing aids significantly more affordable than they were previously and than they are in many other markets. In addition to benefitting from strong intrinsic growth in the market, driven by an aging and growing population, coupled with relatively low equipment penetration rates which are expected to increase the population of hearing aid wearers at a CAGR of 5% over the 2020 to 2025 period, and a supportive healthcare reimbursement system in France, we believe there is further growth potential in our existing countries of operation.

Our strategy in the hearing aids business is based on synergies with our historical optical business. On one hand, our combined offering provides consumers with the convenience of acquiring both products at a single location, based on the fact that there is substantial overlap in the population seeking vision correction and the population seeking hearing aids. On the other hand, opticians and hearing aid specialists in our network benefit both from these synergies, with opticians welcoming new potential clients under the hearing aids offers, while hearing aid specialists benefit from premium locations inside our optical network. Additionally, we believe that our strong brand equity will benefit from the growth of each banner.

Our hearing aid corners are a key growth lever for us, as we believe the hearing aid market is well-poised for significant growth, particularly in France following the implementation of 100% Santé in January 2021 and also that we are well-positioned to benefit from this growth as the hearing aid business is complementary to and synergistic with our historical optical business and we already have a significant footprint of hearing aid points of sale in our core markets. We believe there is significant upside to putting hearing aid corners in our franchisees' existing optical stores, as the two businesses are complementary and we believe that these hearing aid corners drive like-for-like growth in sales of frames and lenses/glasses. Our model envisions franchisees operating their dedicated optical stores alongside two to three corners. We believe this approach is a natural fit for many of our franchisees, particularly for those who are dually-qualified as opticians and audiologists, as well as for those who see a natural way to expand their existing competency to cover audiology as well as optical services. Finally, we believe that using the same model in our hearing aid business as we do in our optical business will generate economies of scale in the future and help us to generate favorable levels of profitability.

### ***Further penetrate the European market in border countries and continue to expand in other international areas***

We have a well-established and expanding presence in countries that are adjacent to our core markets of France and Spain, having successfully expanded our Alain Afflelou banner into Belgium (1995), Luxembourg (2002), Switzerland (2005) and Portugal (2008). We believe that these "border" markets collectively represent millions of potential end-customers and thus present a significant potential growth opportunity for us, as these are familiar markets to us where we already have a fairly mature base, where we can roll-out the same operating model we use in France and Spain and where we benefit from built-in brand awareness. We intend to further extend our European footprint in these border countries (i.e. Belgium, Luxembourg, Switzerland and Portugal) by deepening our franchise network. In both Belgium and Switzerland, we are mainly present in French-speaking regions and we are increasing our presence in Flemish-speaking regions of Belgium and the German-speaking regions of Switzerland.

In Portugal, we are currently reviewing our strategy to expand beyond our existing base. We continuously evaluate potential targets for strategic acquisitions, particularly in such border countries.

We also believe there are opportunities in the Middle East, where we see room to grow, as well as in Africa, where there is an increasing middle class, as well as a growing population with more disposable income, and especially in African countries that have a historical link with France. We believe that our franchise model adapts well to various geographies, languages and types of markets. Our international roll-out expansion in those new geographies rests on limited costs and risk strategy, with a model operating through master franchise agreements, where potential is limited.

### ***Continue to deliver operating efficiencies at Group-level***

We intend to continue to take advantage of the economies of scale provided by our network organization by streamlining our administrative and overhead functions and controlling our cost base, for instance by regrouping our various administrative locations in France at one site in Paris. In our Alain Afflelou banner, we intend to continue evaluating the performance of our store network, with a view to optimizing such performance. We will also continue to carefully monitor our directly-owned stores network, with a long-term target of maintaining a limited directly-owned stores perimeter, while acting opportunistically where we believe there is low-risk potential, in particular opportunities that are created by the impact of the COVID-19 pandemic on retail space. We plan to continue to leverage our directly-owned stores in managing our wider network, operating flagship stores, and in negotiations with suppliers.

We also intend to continue our advertising efforts to support the development of our network, while leveraging our economies of scale. In particular, we believe that the rapid growth of our hearing aid banner will generate a benefit to the brand equity of the overall Alain Afflelou banner. In addition, we intend to continue leveraging our long-standing relationships with suppliers to obtain the most favorable commercial terms for our store network. More generally, the expansion of our network, together with the implementation of dedicated central purchasing units, has reinforced our purchasing power and our ability to negotiate discounts and rebates with suppliers. Savings generated from these discounts or rebates are shared with franchisees. Finally, we believe that expanding in border countries and growing our hearing aids business will help us increase profitability, due to both gains in communication margins and the growth of exclusive products.

## **OUR BUSINESS**

Our principal activity is acting as a franchisor, allowing our franchisees to trade under our brands and banners. Pursuant to the terms of the franchise agreements that we enter into with each of our franchisees, we authorize our franchisees to use our brands, grant them the right to distribute optical products and/or hearing aids under one of our banners, allow them to use our commercial offerings and provide them with a variety of tools, services and know-how. We allow our franchisees to deploy our innovative commercial offers and develop publicity and communication campaigns to promote our brands and drive traffic to their stores. The best practices that we develop in our directly-owned stores are also shared with our franchisees. We have also put in place a comprehensive supply, purchase and logistics system for our franchisees. Additionally, we sell optical products that bear the "Afflelou" signature label, which are offered to franchisees as a means to extend their product range. The services that we offer our franchisees as franchisor aim to develop, support and foster the business of our franchisees. We believe that the services we offer to our franchisees allow them to develop their business, increase their performance and offer consumers a better shopping experience while continually reinforcing the image of our brand and banners. This role also allows us to increase footfall to stores and assist in franchisee recruitment. The following sections present an overview of our relationship with our franchisees and describe the various services that we provide to them. In addition to our role as a franchisor, we also operate certain directly-owned stores.

### ***Franchise model***

#### ***Overview***

Our franchisees are independent entrepreneurs who have entered into franchise agreements with us to operate one or several optical and/or hearing aid points of sale. Franchisees trade under one or more of our banners.

By partnering with us, our franchisees gain access to our proven franchise model, providing them with (i) greater access to customers through increased brand awareness, our marketing and communication strategy and attractive and affordable offers, (ii) access to our exclusive Afflelou-branded products, (iii) favorably negotiated terms with suppliers through our central purchasing unit and (iv) support services

throughout the lifecycle of the franchise, including store design and merchandising, financing and sales force support and recruiting.

### *Our franchise agreements*

The terms and conditions of our franchise agreements define the reciprocal roles and obligations of us and our franchisees and reflect the particular requirements of each of our brands and banners as well as the different jurisdictions in which we operate. Likewise, levels of remuneration paid to us from franchisees vary from banner to banner and country to country.

Franchise agreements in our Alain Afflelou banner generally have an initial three-year term and are automatically renewed two years in advance for an additional one-year period, unless the contract is terminated during its initial period or during each such additional period, for a maximum period of ten years. As a result of the renewal conditions of our franchise agreements, we generally have visibility of approximately two years on the evolution of our franchise partnerships. We are working to import certain key features from our Alain Afflelou franchise agreements into our Optical Discount franchise agreements. Franchise agreements in our Optical Discount banner generally have a similar duration to those in our Alain Afflelou banner.

Franchisees are generally granted exclusivity in a certain territory with respect to the banner or banners they are operating under, and in return, they are subject to standard non-compete provisions. In order to protect the integrity of the Alain Afflelou network, we only operate with franchisees who are exclusively involved in the optical and hearing aids businesses under our banners (other than limited arrangements with certain independent stores); franchisees are generally prohibited from carrying out a franchise activity with any other group or franchise or distribution network during a period of one year from the date of the end of the franchise agreement.

We receive a one-time entry fee per store with a lower fee charged for each additional store opened by a franchisee. This entry fee varies according to negotiations with our franchisees and depends on various factors, including, notably, the potential of the store and the exclusive area and the length of the relationship with our franchisee. Additionally, pursuant to our standard franchise agreement, franchisees pay a monthly standard franchise fee of 4.15% of their network sales (excluding VAT) for the Alain Afflelou banner in France and 4.23% of their network sales (excluding VAT) for the Alain Afflelou banner in Spain. The royalty fee is our fee for the award of a non-exclusive license to use our brand, the relevant banner and trademarks according to the terms of the franchise agreement, as well as the provision of various other franchisor services, in particular the know-how that we provide to the franchisee during the course of the agreement. See "*—Services that we provide as franchisor*" for a description of the services we provide to franchisees.

Additionally, as franchisor, we provide communications and marketing services as further described under "*—Advertising and communications to build strong brand awareness*", for which the franchisees compensate us. For European franchisees, the communications budget for each country is presented by management and approved at the annual meeting of the relevant CNF (as defined in "*—Franchisee representation*") and is generally the same amount within a banner, with no negotiation except for franchisees outside of metropolitan areas. For non-European franchisees, the compensation for these services is set in the franchise agreement and varies in amount depending on the market and our local communications strategy. For example, communication fees are set at 7% of a franchisee's network sales in the Alain Afflelou banner in France (including VAT) and 8.34% of a franchisee's network sales for the Alain Afflelou banner in Spain(excluding VAT).

We may terminate a franchise agreement in a number of circumstances, in particular in cases of a material failure by the franchisee to observe our commercial policy or where a franchisee closes its store or is unable to maintain or renew the relevant lease, fails to make payments required under the agreement or becomes insolvent. Additionally, we may terminate the contract upon the death or incapacity of the franchisee or the loss of his or her license as an optician or audio prosthetist (as applicable), or in certain other events, including the violation of the non-compete provision.

The franchisee may also terminate a franchise agreement without cause at the end of the initial three-year period or during its extension periods, by notifying the franchisor within two calendar years (whether successive or not), in which case the agreement would terminate at the start of the calendar year that immediately follows the year in which the second notice was given. If a franchise agreement is terminated due to a franchisee failing to meet its contractual obligations or at the franchisee's request before the end of the current contractual period, the contract provides that we retain the right to receive our annual royalties and communication fees provided for under the agreement until the end of the initial

duration of the franchise agreement. In addition, franchisees are obligated to return banner signage upon termination, in order to avoid any confusion for end-customers.

As franchisor and in accordance with our obligations under the franchise agreement, we have the following obligations:

- providing our franchisees the know-how, expertise and training necessary to operate their business;
- allowing franchisees to use our banners, brands and merchandizing as well as allowing them to use our central listing and purchasing unit and our commercial offers; and
- developing and implementing publicity campaigns and communications at our level.

As franchisee and in accordance with its obligations under the franchise agreement, the franchisee must in particular respect the following obligations:

- paying ongoing royalties as indicated above;
- purchasing their products exclusively from suppliers listed by our central listing and payment unit;
- complying with certain requirements in terms of merchandizing and store layout, so that brand identity is aligned and the same store concept is used throughout our networks;
- implementing our commercial strategy and promoting our commercial offers;
- contributing to communications and advertising expenses and submitting any local advertising initiative for our approval;
- purchasing samples of and displaying our branded products in their stores;
- reporting sales levels on a monthly basis (franchisees may also report other performance indicators, such as sales by product and total number of products sold);
- providing us with a copy of their annual accounts;
- granting us a right of first refusal in the event that they seek to sell their business or retire;
- adhering to a non-compete clause prohibiting affiliation with a competing network, which typically extends for one year after the termination of the franchise agreement;
- adhering to certain confidentiality provisions; and
- following the termination of the franchise agreement, ensuring that all manner of trade goods and fixtures pertaining to our banners and brands, including our store concept, furniture, display shelves and signage, are removed from the store.

#### *Franchisee representation*

Our relations with our franchisees are mainly structured around national franchisee commissions (each, a "**CNF**") which we have set up in each of the European countries in which we carry out our activities. The CNFs are responsible for collectively representing the franchisees in their relationship with us and are also responsible for: (i) the representation of our franchisees in Europe; (ii) centralizing, simplifying and organizing communications with the franchisor; and (iii) approving certain decisions, such as our marketing plan, which is submitted annually for the approval of the relevant CNF. In France, the CNF is composed of 15 members for a term of three years, representing a total population of approximately 350 franchisees. In Spain, the CNF is composed of 11 members, representing a total population of approximately 172 franchisees. Members are elected by the franchisees in the jurisdiction covered by such CNF. In Belgium, Portugal, Luxembourg and Switzerland, all franchisees are members of the CNF due to the limited number of franchisees. See also "*Regulation*" for a summary of the regulatory framework that applies to our relationship with franchisees.

#### *Franchisee profile*

We ask our franchisees to deliver the customer service and purchasing experience that customers expect from our banners. Forming close, successful partnerships with franchisees based on mutual commercial success is an essential component of our business model. The following presents a profile of our franchisees.

## Optical

On average, Alain Afflelou franchisees in France operated 1.9 stores as of July 31, 2020. As of July 31, 2020, Optical Discount franchisees operated 1.2 stores on average and franchisees in Spain operated 1.5 stores as of July 31, 2020.

In the other European markets where we carry out our activities, our franchisees have a similar profile to our franchisees in France and Spain. In certain non-European markets, the profiles of our franchisees may differ from those common in Europe.

The average revenue (including VAT) per Alain Afflelou store for franchisees for the fiscal year ended July 31, 2019 was €867,000 in France and €417,000 in Spain (2019 figures presented to reflect average revenue in a fiscal year not impacted by COVID-19, as 2020 figures are not illustrative). For the market generally, the average revenue per store combining all banners (including VAT and excluding online sales) was €540,000 in France in 2019 and €189,000 in Spain in 2018. However, average revenue (including VAT and excluding online sales) for independent retailers was €219,000 in France in 2019 and €83,000 in Spain in 2018 according to the CNF. We believe this performance is mainly the result of: (i) the quality of service that our franchisees provide to customers; (ii) the strong recognition of the Alain Afflelou brand and our banners; and (iii) the services that we provide to franchisees which support and assist them in their operations. For further information about our competitive position in the geographies where we compete, see "*Industry*".

Our ten largest franchisees (across all banners and jurisdictions) own and operate an average of ten stores, representing 9.6% of network sales in the fiscal year ended July 31, 2020. None of them operates more than 18 stores as of July 31, 2020. Thus, we believe that we are not dependent on any one franchisee.

In the fiscal year ended July 31, 2020, 20 new franchisees representing 22 stores, joined our Alain Afflelou banner in France, entering our network either through openings (four stores) or purchases of existing stores (18 stores) from franchisees.

## Hearing aids

As of July 31, 2020, our 69 hearing aid franchisees in France operated an average of 4.5 points of sale (either dedicated stores or corners inside optical stores). For more information regarding our banners and their presence in our main geographies, see "*Distribution channels*".

## ***Services that we provide as franchisor***

As franchisor, we provide our franchisees, both before the opening of their store and throughout the course of their operations, advice and support services. Our services as franchisor, the relationships formed with franchisees and the interaction between us, our franchisees and end-customers are intended to increase franchisees' sales. The following section describes the characteristics of our brand, which is based in part on customer surveys performed by various institutions in France and Spain and a study that we commissioned as well as a brief description of the know-how that we provide our franchisees.

## ***Financing solutions for franchisees***

As part of our franchisor role, we offer different financing solutions for developing franchisees' activities:

- ***New store openings.*** Opening an optical product or hearing aid store requires capital. In an effort to attract a new generation of franchisees and accelerate the transition of certain of our directly-owned stores into franchised stores, we piloted a financial support program. This program, called "Project Adelante" ("**PA**"), began in Spain in 2013 and was extended to France in 2016. In Spain, approximately 50 stores have benefitted from the PA program, and in France, more than 30 PA transactions have already been completed. The aim of the program is to help qualified opticians employed at our directly-owned stores transition into successful optician-entrepreneurs and thus, future franchisees. In Spain, we provide financial support to these opticians by guaranteeing bank loans obtained from partner banks, which facilitates opticians' access to financing, which is necessary at the start of their franchisee business. In France, we help finance the new franchisee by purchasing convertible bonds issued by the new franchise company, helping it obtain the equity cushion it needs to qualify for bank financing. As part of "Project Adelante", potential and/or future franchisees are hired by us as managers of directly-owned stores in order to increase the potential and/or future franchisee's knowledge and experience, before taking over a franchise store.

- *Working capital financing.* We have negotiated financial support for our franchisees with consumer finance lender Cofidis, our partner with our NextYear financing solutions. Cofidis makes available a working capital advance, for which we pay the interest, to allow the franchisee to pay for signature label eyewear products after one year. In addition, we have put in place several framework agreements with partner banks to finance refurbishment, store design or working capital needs. These agreements allow our franchisees to access external financing at preferential conditions compared to those they would receive from their usual partners and be subject to less stringent requirements as a result of our support. These agreements can also be used for temporary needs. For instance, more than 400 of our franchisees benefitted from a €20,000 loan in connection with the COVID-19 pandemic.
- *Assistance relating to relationships with banks and other service providers.* In addition to advising and supporting our franchisees, we have selected a number of partner banks, including BNPP, Crédit du Nord and CM-CIC, and service providers (such as accounting networks, including KPMG, Fiducial and In Extenso), that are able to service our franchisee network, and that have a close relationship with, and knowledge of, our network, in order to facilitate franchisees' financial management.
- *COVID-19 arrangements.* As part of our franchisee management approach, we can, from time offer direct support to our franchisees, either through individual arrangements with franchisees experiencing financial difficulties or through postponements of franchisee payments. For example, since the beginning of the pandemic, the Group has taken various measures to support the financial health of the store network, including by reducing monthly instalments in March, April and May 2020 (for a total amount of more than €30 million) and through loans granted by banks and guaranteed by the Group (for a total approximate amount of €15 million, of which approximately 450 loans of €20,000 were granted by our partner in the NextYear offer under the framework agreements described above). Where we offer payment deferrals, the network team, together with the financial and the legal departments, creates reimbursement plans and franchisees enter into agreements that govern and set out their commitments and related guarantees. Thanks to strong sales recovery since June, and the loans described above, almost all our franchisees were able to start repaying the postponed monthly instalment amounts. The outstanding amounts on deferred payments of our franchisees were approximately €12.6 million as of January 31, 2021, with repayment expected to be complete before the end of the fiscal year ending July 31, 2021.

#### *Advertising and communications to build strong brand awareness*

Since our founding, we have developed significant know-how in terms of advertising and communications. Our communications strategy focuses on promoting the reputation of our brands and banners, as well as educating customers about our commercial offers and new products bearing our own brands. Our commercial offers are relayed by television, our websites and apps, text message, e-mail, social media, billboards, radio and print, through marketing campaigns or sponsorship opportunities and by in-store signage.

Our multimedia advertising campaigns and communications strategy are intended to be memorable, resonate with customers and inspire confidence in our opticians and audio prosthetists, while informing customers of our commercial offers. These campaigns and communications also drive footfall to our stores. Our communications efforts are carefully monitored with the assistance of advertising agencies, notably through the analysis of our gross advertising expenses as compared to our competitors in our main geographies and performance of our "share of voice" in various media.

We regularly assess our brand awareness in countries in which we have a significant market share, using market studies we commission, such as OpinionWay for France in 2020 and prior years and Belgium and Switzerland in 2018 and 2021 and Punto de Fuga for Spain in 2021 and prior years. We use these market studies to better follow the results of our commercial offers and communication campaigns. We also look at third-party consumer surveys (not conducted at our request), which we regularly purchase from various companies specialized in our markets, such as Arcane and Gallileo in France.

As shown below, Alain Afflelou ranks number one, either in spontaneous or assisted awareness in France.

	Opinion Way	Opinion Way	Galileo	Galileo	Arcane	Arcane
	May 2019	February 2020	October 2020	October 2019	September 2020	July 2018
	Post-campaign survey	Post-campaign survey	Consumer survey	Consumer survey	Consumer survey	Consumer survey
<b>Top of mind spontaneous awareness (ranking # and % of awareness)</b>	#1 – 63%	#1 – 62%	-	-	-	-
<b>Assisted awareness (ranking # and % of awareness)</b>	#1 – 91%	#1 – 91%	#1 – 88% (among glasses wearers)	#1 – 89% (among glasses wearers)	#1 – 83% (among potential customers)	#1 – 88% (among potential customers)

In Spain, Punto de Fuga ranked the Alain Afflelou banner as the leader in spontaneous brand awareness in a survey conducted in January 2021 and fifth in assisted brand awareness for the same year.

In Belgium, OpinionWay ranked the Alain Afflelou banner second in both assisted and spontaneous brand awareness, with 86% assisted awareness, in Wallonia in a survey conducted in March 2021. The majority of our stores in Belgium are located in this region.

In Switzerland, OpinionWay ranked the Alain Afflelou banner fourth in both assisted and spontaneous brand awareness, with 82% assisted awareness, in a survey conducted in March 2021, among a representative sample of the French speaking population.

Finally, as shown below, Alain Afflelou Acousticien in France ranks as a leader among hearing aid specialists in France, either in spontaneous or assisted awareness.

	Opinion Way	Arcane	Arcane	Arcane
	September 2020	2013	2016	February 2019
<b>Top of mind spontaneous awareness (ranking # and % of awareness)</b>	#2 – 31%	#2 – 16%	#1 – 24%	#1 – 36%
<b>Assisted awareness (ranking # and % of awareness)</b>	#3 – 58%	#2 – 41%	#2 – 51%	#2 – 56%

We have also won a number of industry awards in both France and Spain, such as optical customer service provider of the year by the *Elu service client de l'année* (ESCDA) market survey, conducted by Viseo Customer Insights, in France for five years in a row (2017, 2018, 2019, 2020 and 2021), "*Óptica del año*" by Inma Stratmarketing for best optician in Spain in 2015, 2016, 2017 and 2018, "best franchise in shopping centre" by the Asociación Española de Centros Comerciales in 2018 and "foreign franchise with the best implantation in the Spanish market" by the Asociación Española de Franquicias in 2018, as well as for our television and video advertisements which customers easily recall. Some of our franchisees also won the award of best hearing aid and optical franchisee in France in 2018 and 2020 by the *Fédération des Réseaux Européens de Partenariats et de Franchise* (IREF).

Other than national campaigns, our communications team also supervises local and temporary advertising initiatives to promote the opening or reopening of stores. In such cases, advertising expenses are financed by the relevant store, but our communications team assists the store in managing the campaign. Prior to a franchised store opening for business, our development department works closely with the franchisee to prepare a local communications and outreach plan to maximize impact and visibility for their store's first trading days.

Our strong media presence allows our flagship brand, Alain Afflelou, to enjoy a strong reputation. This brand is firmly embedded in customers' minds particularly in France, which we believe is considered to be a preeminent retail destination for eyewear. Our strong brand image is built on several pillars, including our history of five decades of innovation in terms of communications and commercial offers. For more information regarding our track record of introducing new products and offers see "*Products and commercial offers*". The strength and reputation of our brands are also premised on the quality of service that we provide our customers. We believe that the services we provide our franchisees as franchisor enable franchisees to concentrate their efforts on their business which in turn allows



customers to enjoy better services from franchisees and their employees, enhancing the reputation and image of our brands and our networks.

#### *Procurement, purchasing and logistics solutions*

As franchisor, we provide our franchisees with many services related to procurement, purchasing and logistics. These services generate franchisor revenue through fees charged to our suppliers, who in turn benefit from access to our franchisees and store networks. We also earn revenue through the resale of certain optical and hearing aid products by us to franchisees. Purchasing solutions refers collectively to the following activities: (i) our central listing unit and payment unit; (ii) purchasing and licensing; and (iii) trading. During the fiscal year ended July 31, 2020, we generated 43.9% of our revenue from our procurement activities for our franchisees.

#### Central listing and payment unit

As independent retailers, our franchisees are free to select products to sell in their stores, choosing among the suppliers that are listed by our central listing and payment unit. Franchisees are free to determine products' resale price. However, for optical products sold under our own brands, we set the maximum price.

The central listing unit encompasses all listed suppliers and their products that are approved to be sold in our store networks. We have a dedicated division which is responsible for compiling and updating the list of suppliers and products. Among our listed suppliers are the main frame, lenses, contact lenses and sunglasses manufacturers in the market, as described under "*Sourcing*" and certain smaller players who wish to be listed and meet our requirements. Stores in our networks may also suggest that a particular supplier be listed.

The purchases made by our networks allow us to negotiate advantageous commercial terms with each of our suppliers and enter into framework agreements with them on behalf of the stores in our networks, thus creating significant economies of scale. Framework supplier agreements are renewed every year and do not provide for volume commitments. Additionally, some suppliers that offer specific products and services may, from time to time, be listed and take advantage of our central payment unit. Stores in our network are required to purchase all products sold, such as frames, lenses, contact lenses and other optical products in their optical stores, and hearing aid devices, batteries, and other hearing products in their hearing aids points of sale exclusively from suppliers that are listed by our central listing and payment unit.

We generally also serve as an intermediary to facilitate payment between our networks of stores and our listed suppliers, simplifying relations between the two. The listing and payment process are the following:

- *Ordering.* The relevant store/franchisee sends its order to the listed supplier pursuant to their own arrangements. The majority of orders are processed electronically.
- *Delivery of goods/invoicing.* The supplier delivers the goods ordered and sends the invoice to the store/franchisee.
- *Summary statement.* Each month, the supplier sends us a summary statement listing goods invoiced to each store/franchisee. We collect summary statements from all suppliers and provide franchisees a monthly statement listing all invoices due to suppliers.
- *Payment to suppliers.* We pay suppliers net of discounts and listing fees, rebates in accordance with negotiations with the central listing unit and *del credere* commissions billed as part of listing fees.
- *Payment from stores.* Stores/franchisees pay us amounts due to suppliers, net of discounts and rebates that we negotiate on their behalf.

We invoice listed suppliers for the following:

- listing of supplier commissions;
- centralization of franchisees' payment commissions (listing and centralization of payment are generally two services combined in the central listing structure);
- *del credere* commissions, which correspond to the guarantee provided by the franchisor for the orders of the stores within our networks; and
- early payment allowances in case of a cash purchase or an early payment made by us.

Our invoice system is identical in France and Spain, except that the *del credere* commission is less common in Spain, as some suppliers choose to bear the store's default risk. Similar arrangements are in place in Belgium, Luxembourg and Switzerland, allowing franchisees in countries where our presence is less developed to benefit from the same services as those provided to our historical locations and use suppliers that can sell to stores in such countries. Similar arrangements have also been put in place for the Optical Discount and Alain Afflelou Acousticien networks. Franchisees in non-European jurisdictions are also able to access these listing services and receive support from our sourcing and supply chain team.

#### Purchasing and licensing

In order to offer franchisees better prices, mainly on lenses and contact lenses, we aggregate purchases by leveraging the size of our store networks, generating significant economies of scale. As of July 31, 2020, corrective lenses, frames, contact lenses and care solution and sunglasses represented, respectively, 55.5%, 22.5%, 14.8% and 7.3% of franchisees' purchases through our central purchasing unit. As a result, franchisees are able to benefit from discounts and rebates we negotiate with suppliers when they make purchases through our central purchasing units, of which we retain a share. We also make available to stores in our networks our own-brand lenses and contact lenses, which are lenses and contact lenses manufactured by third parties that are among the largest in the industry (such as Hoya, Coopervision or subsidiaries of the Essilor-Luxottica group) and are distributed by us. We charge manufacturers of our own-brand lenses and contact lenses a licensing fee for use of our brand names, such as Éphémère or Égérie. Such licensing fees are calculated as a percentage of the supplier's sales to stores in our networks.

#### Trading

Our trading activity acts as a supplier by which we resell exclusive or own-brand products within our own networks. This activity mainly involves frames and sunglasses that we sell under our own brands. We directly sell exclusive frames and sunglasses to stores in our networks either through logistics providers or directly. Our exclusive frames and sunglasses consist of (i) signature label frames and sunglasses bearing the "Afflelou" signature (currently under two main collections: the Tchin Tchin collection, which is mainly dedicated to our multi-possession offer of "buy one get an additional or two additional pairs of glasses for one euro more" and our innovative Magic collection of frames and clips); (ii) frames and sunglasses under exclusive licenses; and (iii) exclusive collections. As part of our trading activities, we retain a margin on the resale of exclusive frames and sunglasses to stores in our network. Finally, trading activities can be an entry point for new countries by allowing us to test consumers' reactions to our own branded products and our other product lines. For more information about our exclusive and own-brand products, see "*—Products and commercial offers—Products*" and "*—Sourcing, branding and manufacturing—Sourcing*". During the fiscal year ended July 31, 2020, our license purchasing and trading activities as well all of our purchase solutions for supplying our franchisees totaled €113.0 million, *i.e.*, 16.1% of network sales.

#### *Support services*

##### Overview

We have been operating for five decades and have gained significant experience in managing our distribution networks, allowing us to master all aspects of our role as a franchisor and the management of our directly-owned stores. When a new franchisee signs a franchise agreement with us, a long-term partnership is formed, involving the transfer of knowledge, monitoring, sharing and refining of best practices. This section details the know-how that we provide and continue to expand, hone and update, based on everyday interactions with our franchisees and the realities of their business needs. For a description of the IT solutions that we provide to our franchisees see "*—Information technology*".

##### Store location planning

Store location planning refers to a range of services and value-added tools that we employ to assist existing and incoming franchisees determine where to place their stores, which is often the most important consideration for the health of their businesses. As the largest optical product franchisor in France, we have knowledge and experience that allows us to knowledgeably advise franchisees on store locations using data that we have compiled based on information received from each of the stores in our networks in the past decades. Our target catchment areas are medium- to large-sized urban communities. Pursuant to our contractual arrangements, every franchised store location must be approved by us prior to opening its doors. We are also able to analyze store potential based on, among

other things, the proximity of competitors. We can also connect potential franchisees with local contractors, helping them evaluate offers for refurbishment and outfitting and arrange store visits to existing stores in similar locations. In addition, our analyses of our existing stores' network sales, including information gathered from our customer relationship management system, provide insights that enable our franchisee sales and network development teams to identify favorable whitespace in areas where we operate in Europe. Following such analysis, our development team can actively seek out prospective franchisees in such areas where we believe they are more likely to be successful, further bolstering the network's presence in these areas.

#### Store design

Alain Afflelou banner stores are known for their distinctive color schemes, elegant displays and intuitive retail store layout. We have developed a range of products and services for franchisees in order to present customers a consistent, high-quality shopping experience across all our store networks and maintain brand integrity. We provide comprehensive store design and layout solutions, including selling distinctive retail furniture and wall display pieces, which creates a similar welcoming feel in each of our stores. To maintain this, we have obtained design protection from the relevant authorities for certain of our custom-designed retail furniture to ensure that they are adequately protected. Our current store design is called "Champs Elysées", after our flagship store, which we recently refurbished under this new concept.

#### Training and development

We provide extensive training for franchisees and their employees, to enable them to meet the high standards that our customers expect of our stores. As part of the initial training provided to franchisees, we have a program that familiarizes franchisees with our business model and acquaints them with the representatives and regional managers who will be their primary contacts. Initial training includes programs covering, among other things, advertising and local communications, inventory management and planning and using our order fulfillment system. Our "Alain Afflelou Academy" provides training courses for franchisees and their employees in France and was expanded to Spain through "Alain Afflelou Academia de Vuelo" in April 2014. In April 2016, our training programs became available online. The training sessions that we offer cover, in particular, sales techniques for different optical products such as sunglasses and children's glasses, effective store and personnel management as well as commercial strategies.

#### Certification

Certifications granted by independent providers have become an important commercial consideration for consumers, as a symbol of professionalism and integrity, as well as for the process of joining closed networks in France. We have mobilized to assist and guide our franchisees in obtaining certifications in order to further enhance our standing among customers. In 2014, we set up a hotline to assist franchisees with the documentation required to obtain Afnor and Veritas certifications. In addition, regional managers maintain and update lists of franchisees that have obtained such certifications in order to analyze the resulting benefits and impact of such certifications. In order to help our franchisees navigate this process, we provide our franchisees with an information guide and place them in contact with the company France Certification to attend training sessions on these certifications.

We provide support for obtaining AFNOR-REF 230 (Service Agreement – Optical Quality) certification to our and franchised stores. AFNOR-REF 230 certification aims to improve the quality of customer service and satisfaction, in particular by: (i) guaranteeing care from a trained and educated professional, working in close collaboration with an ophthalmologist; (ii) offering products at a good price/quality ratio due to a rigorous selection process of lenses and frames suppliers; (iii) offering the option for no upfront costs, with costs being paid by the public health system and the OCAMs; and (iv) offering a follow-up service to monitor changes in the customer's prescription during its validity.

Similarly, we provide support for obtaining VeriSelect Quality Optician Services to all of our directly-owned stores and franchised stores. VeriSelect Quality Optician Services are issued by the Veritas Certificate Bureau and recognized by OCAMs and care networks. The goal of this certification is to guarantee consumers that certified stores provide reliable service, are professional and attentive in particular by: (i) respecting clear and legible commitments made to consumers; (ii) guaranteeing a well-adapted space by identified and competent professionals; (iii) providing explanations in terms of equipment choice; (iv) providing uniform invoices including the consumer's healthcare data; and (v) providing personalized and confidential service and follow-up in terms of the quality of service.

### Assisting with access to care networks in France

Since 2014, we have provided our franchisees with information and assistance in qualifying for and joining the French care networks. We feel that membership in a care network enables franchisees to attract a larger number of customers. However, joining a care network can be a costly and burdensome process involving preparation of submissions to tenders and related complex documentation. In 2015, we institutionalized our care network support activity. Currently, our care networks manager assists our opticians and audio prosthetists in preparing and submitting bids by providing guidelines, bespoke advice via a hotline and preparing standardized support documentation. For example, when a care network issues requests for proposals as part of a tender process, our care networks manager analyzes the selection criteria and provides a summary to our franchisees and directly-owned store managers. Certain training and certification costs associated with this initiative are invoiced to the franchisees. As a result of various efforts to support franchisees, as of July 31, 2020, 82% and 67% of the stores under the Alain Afflelou banner in France are part of one and two or more care networks, respectively. For more information about care networks and a description of care networks, see "*Regulation—France—Regulations governing the French complementary health insurance system*".

### Management and operational support

If a franchisee encounters difficulties within the scope of their operations, we also provide a certain number of assistance and advice services. In 2014, we launched a campaign called "Elite" that assisted and helped franchisees whose results were below expectations. This initiative involved a full range of management and operational support, including in respect of merchandising, product range, training, cash management, store refurbishment and inventory optimization. Monthly follow-ups were arranged in order to quickly monitor progress, identify new developments and respond accordingly. This program reinforced our relationships with our franchisees and harmonized customer service and customers' shopping experience across our networks. We believe that this program was successful in improving the performance of certain stores which, without this support, likely would have closed. In 2021, we launched a new Elite campaign, covering approximately 15 stores in France, with the aim of providing support to franchisees in the operational management of their stores, including inventory management, purchasing strategy and offer positioning.

### Legal

As part of operating a store, franchisees may encounter legal problems related to their optician or audio prosthetist business or for example, labor law difficulties. In order to respond to these specific labor law difficulties, we provide legal support services to our franchisees.

### Human resources and sales force incentives

Recruiting, retaining and rewarding qualified staff is an important component that underpins our success. We operate a central clearinghouse for recruitment of trained and newly-graduated opticians and audio prosthetists from recognized institutions. Franchisees can also utilize this platform for their recruiting needs. In April 2016, we created "Club Afflelou" in France, to help organize business activities which is open to franchisees, employees of franchisees and employees of our directly-owned stores. This program allowed members to accumulate points which can be exchanged for a large range of gifts. Since the *Loi Anti-cadeaux*, which prevents third party companies, like suppliers of optical businesses, from promoting their products through personal benefits, became applicable to us in October 2020, we have eliminated this activity.

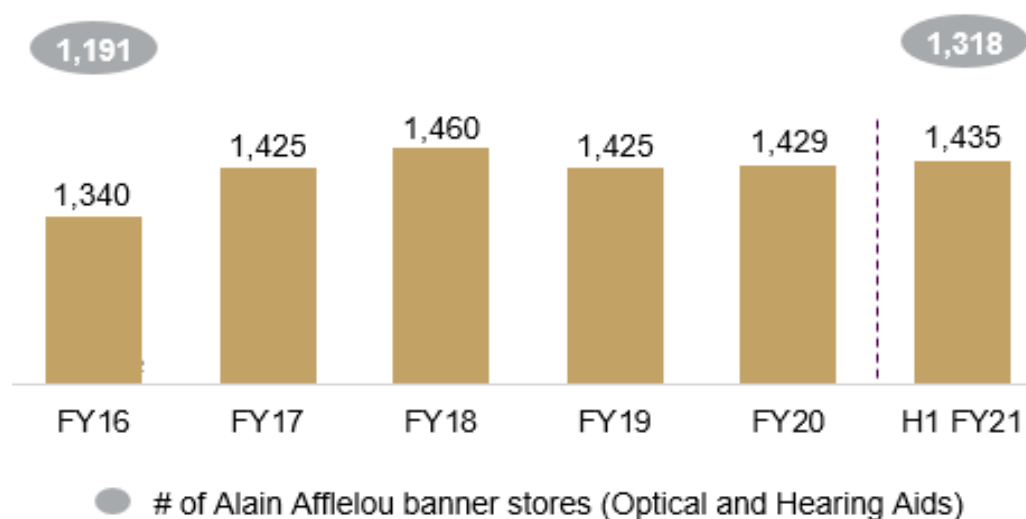
### Consumer financing solutions

Finally, we have negotiated with consumer finance lenders (in particular Cofidis) to provide payment facilities to customers who purchase products through our NextYear commercial offers. NextYear enables customers of our networks to pay for their eyeglasses, contact lenses or hearing aid products, generally in twelve equal monthly payments without interest or other charges. We serve as an intermediary between consumers and these finance lenders and do not incur any credit risk as part of this program.

## **DISTRIBUTION CHANNELS**

We manage an extensive store network across 18 countries as of January 31, 2021, primarily in France and Spain. As of January 31, 2021, our networks comprised 958 stores in France (including 90 hearing aid stores and 221 hearing aid corners), 336 stores in Spain (including 59 hearing aid points of sale) and 141 stores in Other countries. The graphic below shows the evolution of our store networks across

all geographies and including all Alain Afflelou and Optical Discount banner stores and hearing aid stores from July 31, 2016 to January 31, 2021.



Source: Group information.

The majority of our stores are franchises though, in key European markets such as France and Spain, we also operate certain directly-owned stores in order to support the breadth of our networks and anchor our presence at strategic locations. For more information about sales by geographical area for the fiscal years ended July 31, 2018, 2019 and 2020 and for the six months ended January 31, 2021, see *"Management's discussion and analysis of financial condition and results of operations—Main factors affecting our results—Expansion of store network"*.

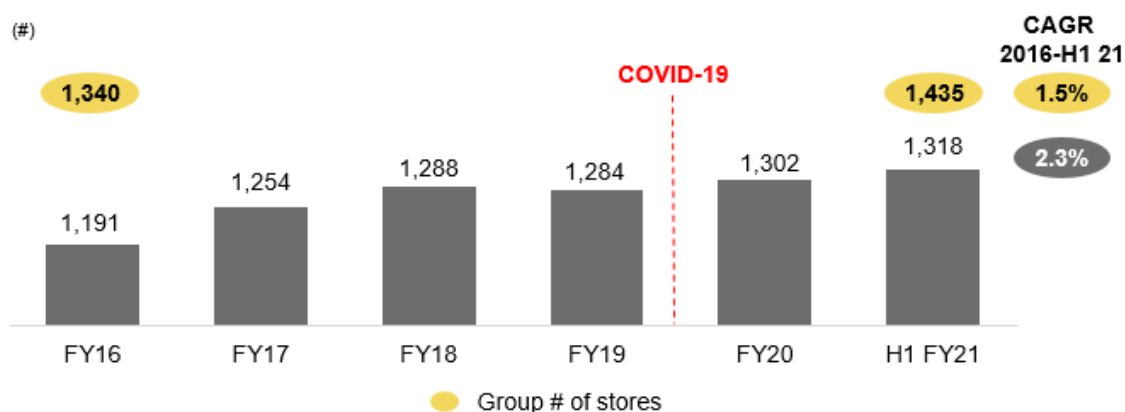
In order to optimize our performance and attract the greatest number of customers to our networks of stores, we have organized our optical banners to appeal to two groups of customers: one that is attracted by a strong brand name, high-quality commercial offers and products and technological innovations, which we consider to be our premium offering, and the other for whom price constitutes the main purchasing criterion.

### Store networks

#### Generalist activity

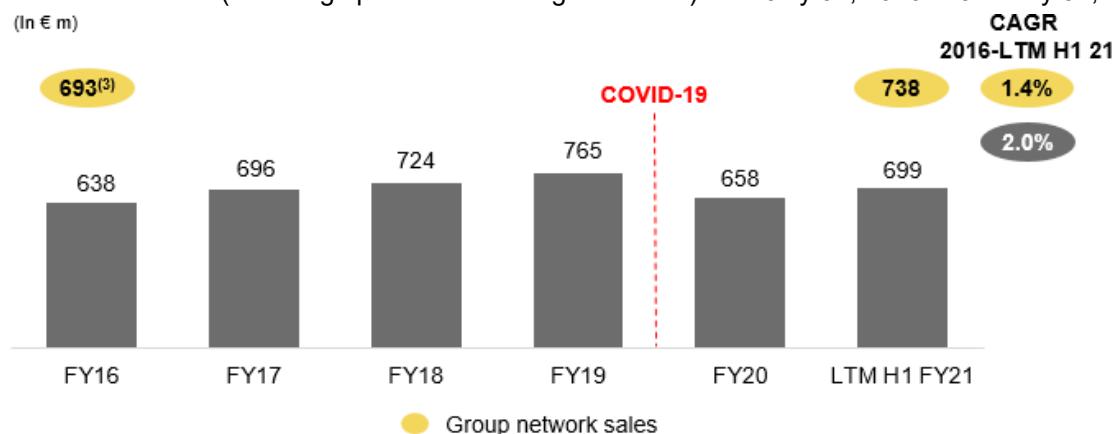
Alain Afflelou is our most established banner. The founding of this banner helped create the modern optical retail sector in Europe by focusing on customer needs and affordability. As of January 31, 2021, we had a total of 1,318 Alain Afflelou stores, of which 768 were optical product stores located in France, 333 were optical product stores located in Spain and 124 were optical product stores located in Other countries and 93 were hearing aid stores (not including 277 corners inside optical stores). As of January 31, 2021, our networks included 1,225 Alain Afflelou optical banner stores, 93 hearing aid stores and 117 Optical Discount stores. We operate three different types of stores: downtown stores, stores located in shopping malls and stores located in retail parks.

The graphic below shows the evolution of stores in our Alain Afflelou banner (including optical and hearing aid stores) from July 31, 2016 to January 31, 2021.



Source: Group information.

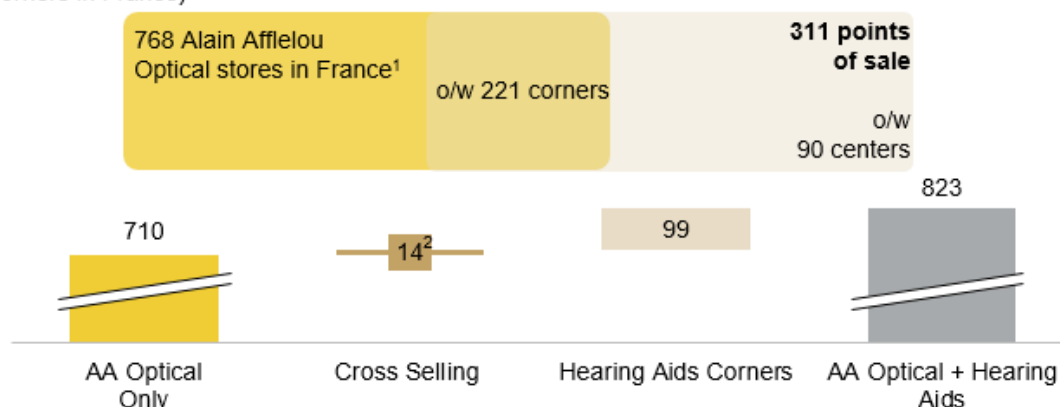
The graphic below shows the evolution of network sales and Group like-for-like sales growth in our Alain Afflelou banner (including optical and hearing aid stores) from July 31, 2016 to January 31, 2021.



Source: Group information.

In addition, the graphic below illustrates estimated store organic growth potential from the addition of hearing aid corners.

(In €k – Potential evolution of FY19 average sales per store of existing Alain Afflelou stores and AAA corners in France)



Source: Group information.

Note: (1) including hearing aid corners.

The potential €14,000 increase in sales illustrates the potential increase in sales of our stores without hearing aid corners if the latter were to include hearing aid corners in the future and is based on the average outperformance of our stores with hearing aid corners compared with stores without them, without adjusting for other factors.

#### Optical - France

In France, as of January 31, 2021, our networks comprised 768 Alain Afflelou optical stores. In France, our Alain Afflelou banner stores are concentrated in and around medium- and large-size urban areas. We are also present in the main French overseas departments and territories. In recent years, we have emphasized the opening of franchised stores outside of city centers, responding to changing consumer preferences. Stores situated in shopping malls or in retail parks offer more floor space with larger parking facilities, lower rents and generally lower refurbishment costs. Furthermore, Sunday trading and longer opening hours are possible in malls and retail parks, whereas they are generally not possible in city centers outside of certain high traffic areas in larger cities.

Our directly-owned stores in France are part of our strategic decision to support our franchisees and our brand, including through operating city center and shopping mall stores for flagship purposes in and around Paris and other key strategic locations, as well as maintaining a group of stores for testing new offers and instituting best practices. Finally, certain directly-owned stores comprise former franchised stores that had encountered difficulties and have been transitioned to direct ownership in order to address operational issues before securing a new franchisee operator. See "*Distribution channels—Development and management of our store networks*" for more information.

In June 2016, we began offering new and existing franchisees the opportunity to create a pure play sunglasses corner within their store, called "Afflelou Sun", of which there were 155 locations in France as of January 31, 2021. The Afflelou Sun banner is intended to respond to the growing demand for prescription sunglasses, as a fashion accessory and for ultraviolet and solar protection.

#### Optical - Spain

In Spain, as of January 31, 2021, our networks comprised 333 Alain Afflelou optical stores. In comparison, our network in Spain consisted of 122 stores as of July 31, 2006 and 263 stores as of July 31, 2011. Our Alain Afflelou banner stores in Spain are concentrated in the Madrid region and on the eastern coast in the regions of Catalonia and Valencia, as well as in certain northern regions such as Galicia. Our directly-owned store network in Spain (which is proportionally larger than our directly-owned store network in France) consists of: (i) flagship stores located in city centers and shopping malls, these stores allow the banner to anchor our presence in major urban areas; (ii) stores to test new business initiatives, product concepts and innovations and identify best practices; and (iii) a group of certain former franchised stores that resulted from repurchases of such stores from former franchisees who retired or withdrew from the business during the economic crisis from 2009 to 2013. In particular as a result of our financial support program called "Project Adelante", we intend to shift a large portion of such stores to franchisees.

#### Optical - Other countries

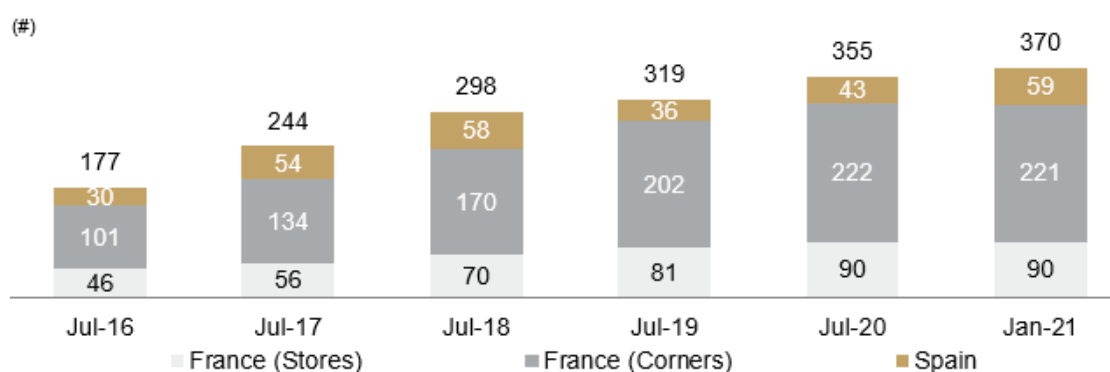
- In Belgium and Luxembourg, as of January 31, 2021, we had 51 Alain Afflelou banner franchised stores. In Belgium, these stores are mainly located in Wallonia, the francophone region of Belgium, though in recent years, we have developed our activity in Flanders. We do not directly own any stores in Belgium or Luxembourg.
- In Portugal, as of January 31, 2021, we had 25 Alain Afflelou banner stores, primarily located in the country's main urban areas such as Lisbon, Setúbal, Porto, Braga and Faro, of which 19 were franchised stores and six were directly-owned.
- In Switzerland, as of January 31, 2021, we had 18 Alain Afflelou banner franchised stores. We do not directly own any stores in Switzerland.

We are also present through franchisees or master franchise agreements in Other countries in Africa, the Middle East, Asia and South America. Afflelou-Paris, which focuses on our French beginnings and fashion know-how, is the generalist banner that we intend to use for our international development in non-French speaking countries.

### Hearing aids - Alain Afflelou Acousticien

Our founder, Mr. Alain Afflelou, is best known as an optician. However, he is also a trained audio prosthetist. After observing that the hearing aid market did not feature a player that combined technological innovation with attractive commercial offers, we launched the Alain Afflelou Acousticien brand, which built on the reputation of the Alain Afflelou brand, the trust that customers placed in this brand and changing commercial offers we have historically offered. Alain Afflelou Acousticien also benefits from the use of the Alain Afflelou banner, known on the optical products markets for its products and innovative commercial offers. In July 2013, the Afflelou family (through their interest in Holding AA & Fils) and certain other of our indirect shareholders established LSFA in order to separate the networks of hearing aid product retail stores. On July 31, 2016, we acquired 100% of LSFA and, as part of the transaction, completed the integration of the hearing aid franchise activity under the Alain Afflelou Acousticien banner.

As of January 31, 2021, the Alain Afflelou Acousticien banner comprised 370 points of sale (including 221 corners inside Alain Afflelou optical stores and 90 stores in France), of which 59 were points of sale in Spain. As a comparison, at July 31, 2016, we had 177 hearing aid points of sale (of which 46 were stores in France, 101 were corners in France and 30 were points of sale in Spain). In Spain, in light of the difficulties encountered by our master franchise partner in rolling out our hearing aid network in Spain, we terminated this master franchise agreement amicably in the fiscal year ended July 31, 2019, with no compensation or penalties for either party. We then decided to roll out the network by ourselves, and reached a level of 59 points of sale (56 corners and three stores) as of January 31, 2021. The chart below shows the evolution of the number of points of sale in our hearing aid network in France and Spain between July 31, 2016 and January 31, 2021.



Source: Group information.

In the six months ended January 31, 2021, approximately 95.8% of our network sales of our hearing aid business was generated in France, accounting for €22.8 million of sales for the six months ended January 31, 2021. The majority of our points of sale are corners hosted in Alain Afflelou optical stores. We believe that hearing aid corners allow optical product consumers to discover our hearing aid products and are likely to generate significant clientele for audio prosthetist franchisees. Likewise, we believe that the addition of a hearing aid corner to an optical store is likely to create additional sales for the optician. For example, during the fiscal year ended July 31, 2020, the optical product sales of Alain Afflelou stores in France with a hearing aid corner outperformed the rest of the optical Alain Afflelou French network at a rate of 1.9% on a like-for-like basis. We intend to continue to focus on synergies of our two businesses, including combined offers to end customers.

### *Discount activity*

We purchased the company operating stores under the banner Optical Discount in July 2015 to increase our presence in the discount activity of the optical product market. Optical Discount was founded in 1995 and positioned itself in the discount activity, specifically focused on offering leading brands such as Gucci, Ray Ban, Armani, Givenchy, Hugo Boss, Diesel, Roberto Cavalli and Police at competitive prices. The Optical Discount banner targets price-sensitive customers looking to enjoy the same leading brand name products at a lower price.

Optical Discount's strategy is to provide customers leading brand optical products that they are able to find at other retailers, at an attractive price. To do this, Optical Discount mainly purchases prior years' collections from leading brand manufacturers and also provides them with a clearance solution.



We believe that one of the features that draws customers to Optical Discount stores is the option to purchase a "Club OD" card for €10, which gives access to discounts on a wide variety of products. The "Club OD" card is valid for purchases in store and online. Optical Discount's price tags display the lower "Club OD" price as well as a suggested prevailing retail price for the same item so that customers are able to easily quantify their savings.

Moreover, Optical Discount uses the same commercial strategy as certain hard discount stores, refunding twice the difference to any customer that finds the same product for a lower price at another location. Furthermore, each purchase with the "Club OD" card accrues points which the customer can use for gifts such as cinema tickets, electronics and gift certificates with other merchants.

In 2019, we began a review of our franchisee portfolio at Optical Discount, with the aim of retaining partners more aligned with the wider Group's requirements in terms of quality of payment, commercial practices, store format and more generally that shares our strategy and growth plans for the banner. As a consequence, our Optical Discount perimeter has been significantly reduced and we intend in the future to retain only partners that meet such requirements. As of January 31, 2021, our Optical Discount network was composed of 100 stores in France and 17 stores in Other countries, following a significant restructuring in order to have a network of stores that is aligned to our store formats and concepts and agreement with franchisees as to the commercial practices of the banner.

### ***Development and management of our store networks***

#### ***Franchised stores***

Our franchisees independently operate one or several stores under one or more of our banners. As franchisor, we continuously interact with franchisees in order to promote their activity and increase their performance. We have put in place at the local level an internal surveillance and communications system with our franchisees, allowing us to maintain and promote brand integrity, and gather sufficient information about our franchisees' businesses.

A regional network manager works with franchisees at the regional level of each geographic zone and across all our banners. Regional network managers in France and Spain organize training and exchange initiatives with franchisees and visits of model directly-owned stores. These initiatives enable us to share the most up-to-date know-how and expertise with our franchisees in terms of store layout, merchandizing, best commercial practices and sales techniques. Regional network managers are employed by us and act as intermediaries between our management and franchisees. In smaller markets, regional network managers are generally responsible for an entire market, grouping together several countries, depending on the number of stores that we maintain in a given market or region.

We have implemented an internal monthly scoring system for each store and franchisee, which enables us to process data collected from franchisees, our central listing and payment units, our central purchasing units and suppliers. In addition, our "Alain Afflelou Academy" and "Alain Afflelou Academia de Vuelo" also provide additional levers to gauge franchisee engagement, the success of our latest commercial offers and franchisees' commitment to the relevant banner. Our scoring system evaluates various aspects of our relationships with franchisees, such as purchases, revenue, implementation of our commercial strategy, sales of exclusive products, relationship quality and status of payments. As a result, we are able to identify low performers among our franchisees, and work with them towards improving their performance. Our central management determines the goals and analyzes franchisees' results. Regional network managers regularly contact our central management and oversee various activities, such as the communications, franchisee network development, financial management or the logistics departments, allowing them to improve uniformity of practices and provide data for all our store networks.

#### ***Developing networks and recruiting new franchisees***

##### **Europe**

In Europe, our strategy for developing franchise networks concentrates on maintaining robust and dynamic networks of optical franchisee-entrepreneurs and continuing to build a growing audio prosthetist-entrepreneur network for our hearing aids business. As of January 31, 2021, we operated our hearing aid business mainly in France and Spain. We have begun to expand this business to Belgium and Switzerland, but it is still at an early stage. Our franchise development team is responsible for increasing the number of franchised stores and uses the following methods: (i) recruiting through specialized press, at trade shows and at events organized at optician and audio prosthetist training schools; (ii) targeted recruitment of independent retailers and franchisees trading under other banners

at locations that have been identified as important zones for us; and (iii) a multi-banner, multistore and multidiscipline strategy. In addition, our regional network managers often work closely with our franchisee development team to identify suitable franchisees that could potentially expand their activity and operate a store under our discount banner. Additionally, we provide introduction services to help connect opticians with audio prosthetists to encourage the introduction of hearing aid corners which can yield increased footfall for both businesses. For a summary of the regulations applicable to us in connection with sales of franchisees in France see "*Regulation*". Outside our core markets of France and Spain, our strategy is to further extend our European footprint in countries in which we are already a national player (mainly BeLux (51 stores), Switzerland (18 stores) and Portugal (25 stores)) to become a leader in those markets by deepening our franchise network and exploiting opportunities for consolidation, given the high level of fragmentation of these markets. In Belgium, we intend to accelerate the development of both our Alain Afflelou and Optical Discount banners. In both Belgium and Switzerland, we are mainly present in French-speaking regions, but we are increasing our presence in Flemish-speaking regions of Belgium and recently opened the first store in a mixed French and German-speaking region of Switzerland.

### Outside of Europe

Internationally, we seek franchise networks in certain markets where we believe demand would be high enough and that stores would be able to attract customers. Historically we have expanded in countries where there has been a strong connection to French culture, entering into contracts with local entrepreneurs who had an awareness of and affinity for our brand and value proposition. We perform due diligence on prospective international franchisees to maintain brand quality and determine whether the franchisee would be suitable to implement our commercial offers and preserve the image of the brand and banner. Our international rollout strategy to penetrate new geographies rests on three pillars that reduce the risk we take on when we expand into new geographies: (i) we first enter a new market through wholesale activities to test the appetite for our branded products, while limiting our exposure and investment risk, (ii) if this first phase is successful, we replicate our proven franchise model, with limited capital expenditure and execution risk and (iii) we then expand our store network in the new market, using our proven business strategy. In such countries, we generally try to operate with partners that are already active in the optical business, ideally that are already managing several optical stores. In such cases, such as in Kuwait, we may operate under a master-franchise agreement.

### Directly-owned stores

Our core business is our franchisor activity. To support our franchisor role, we also directly operate a portion of our networks of stores. At January 31, 2021, we operated 77 directly-owned stores in France, 77 directly-owned stores in Spain, and six directly-owned stores in Other countries (in Portugal). For the six months ended January 31, 2021, directly-owned stores generated 28.0% of our total revenue and 12.1% of our network sales. Our directly-owned stores operate under the same legal framework as franchised stores, particularly through the intermediary of an intra-group franchise agreement. We invoice our subsidiaries operating directly-owned stores for the same type of fees that we receive from franchisees.

### Objectives

We believe that operating directly-owned stores is a fundamental component of our global franchisor strategy in that it allows us to better manage our networks. Our operating strategy regarding directly-owned stores rests on four pillars:

- Maintain control of our flagship stores and anchor our banners in key symbolic and strategic locations. In order to maintain, increase and promote the brand equity of our banners, we believe we must be present at certain highly visible locations. Between ten to 20 stores are located in symbolic locations such as the Champs-Élysées or La Défense in Paris, Gran Vía in Madrid and the Graça neighborhood in Lisbon. These stores are located in big cities and tend to be on the more well-known shopping boulevards that are frequented by domestic and international tourists. Controlling these stores directly allows us to utilize them as walk-in advertisements and analyze customer's behavior and their experience. In certain instances, such as the Champs-Élysées, rent and refurbishment costs of such stores are too high for a franchisee.
- Test and refine new commercial offers and establish best practices. Continuous commercial innovation and retail best practices have assisted us in developing networks of leading optical and hearing aid retailers in the countries where we operate. The stores in

this category comprise between 50 to 100 stores, primarily in large urban areas and shopping malls with strong visibility where we test and adapt our commercial offers. Such stores serve as models for our entire network in terms of testing new commercial initiatives before rolling them out to the full network and establishing operational and retail best practices. Current and prospective franchisees are frequently invited to visit such stores as part of training. Our Alain Afflelou Acousticien corners, the Afflelou Sun corners, the new software for managing points of sale, sales force incentives, supply chain monitoring and consumer data analytics tools are initiatives that were initially developed and tested in our directly-owned stores.

- Perform network management and buttress our expansion strategy in strategic areas. In order to efficiently manage and develop our networks, we may temporarily acquire certain franchised stores, and subsequently transition such store to a new franchisee in the short to mid-term. The reasons for opening or assuming the direct management of a franchised store include, among others, the need to ensure that we do not lose a particular site in case of the retirement of a franchisee, material disagreement with a franchisee regarding commercial policy or the need to turn around an underperforming store. Such stores can be operated for a time as directly-owned stores before transitioning to franchisee ownership, which sometimes involves assistance with financing by us. This "buy and sell strategy" is held on behalf of the franchisor, to manage the whole network.
- Leverage purchasing power. Our directly-owned stores structure enables us, in some cases, to negotiate conditions for the whole network, as we are able to commit to comparatively large purchase volumes.

Our strategy is to reduce our directly-owned stores portfolio. However, we intend to retain the directly-owned stores corresponding to the flagship and key strategic locations as well as those stores for testing commercial, operational and logistics initiatives. Our long-term target for our directly-owned store networks is to operate 100 to 150 directly-owned stores in the areas where we already operate.

#### Leasehold arrangements

Substantially all of our directly-owned stores are subject to commercial leaseholds. The following provides a brief description of our leasehold arrangements in France and Spain, where the majority of our directly-owned stores are situated.

French commercial leases generally have a minimum initial duration of nine years, but rarely exceed twelve years. The lessee has the right to terminate a commercial lease at the conclusion of each three-year period. The lessor may only terminate the lease at the conclusion of each three-year period in certain limited circumstances. At the end of the contractual term of the lease, the lessee is entitled to a renewal. If the lessor refuses such renewal, the lessor will be required to compensate the lessee, unless the lessor can show good cause. Upon expiration of the lease agreement, if the lessor and lessee take no action to renew or to terminate the lease, the original lease will be automatically renewed until a notice of termination is served by either the lessee or the lessor. An automatically renewed lease may be terminated at any time by either the lessee or the lessor providing that six months' prior notice is given.

The parties are free to determine the initial rent, generally according to the current market value of the property at the signing of the contract. The rent may be fixed, variable or composed of a fixed portion and a variable portion. Generally, the lease contains an annual rent indexation clause. The agreed index must have some connection with the activity carried out by one of the parties or to the purpose of the lease. Alternatively, parties can choose the Commercial Rent Index (ILC) (*indice des loyers commerciaux*) or the Index Applicable to Leases of the Service Sector (ILAT) (*indice des loyers des activités tertiaires*), both published by *l'Institut national de la statistique des études économiques* (INSEE), the French public statistics institute.

In Spain, although the legal framework for commercial leases is less strict (*i.e.*, commercial leases are not subject to a specific legal framework), commercial leases are identical to those in France. However, rent is often calculated as a percentage of turnover with a minimum lease amount being determined by the parties.

## **Products and commercial offers**

### **Products**

Our philosophy and our added value, are premised on the idea that the customer can appreciate the extent of our product offering and highlight the price-quality ratio of our products. These factors are essential components of our model. This same philosophy inspired Mr. Alain Afflelou when he created Alain Afflelou Acousticien, which relies on the main characteristics of price, choice and accessibility.

We offer Alain Afflelou and Optical Discount franchisees a range of refined and affordable optical products such as prescription glasses, ready readers, sunglasses and contact lenses. We also provide a range of hearing aid products for our Alain Afflelou Acousticien banner franchisees.

Our goal is to provide a product range that exceeds the choice offered by our competitors. Each of our banners has a slightly different product range. For example, Alain Afflelou stores have the largest range with a certain number of luxury brands, but also midmarket brands and signature label collections. Optical products offered under our own brands include both ophthalmic frames and sunglasses, contact lenses from the leading market players and other accessories. We do negotiate purchasing terms on behalf of our networks, such as discounts and rebates which allows us to order, including through our procurement, larger quantities and enjoy advantageous conditions.

The following presents a brief description of the type of products that we list in our central listing and purchasing unit.

### **Frames and sunglasses**

#### Products that we sell under our own labels

Since 2014, we have supervised and sub-contracted the production of eyewear collections featuring the "Afflelou" signature. These optical products allow us to expand the product offer in our stores and demonstrate our innovative capacity to customers while also providing franchisees and directly-owned stores with attractive margins on these products. In the countries where we are present, signature label products are only available at Alain Afflelou stores.

The products that we market under our own brands are specifically designed to be fashion-forward yet affordable, and are compatible with the economic model of our Tchou Tchou commercial offer (a second pair of our signature label eyeglasses for €1.00). According to a survey on brand awareness in frames, the products that we market under our own brands are among the most well-known frame brands in France, with a strong awareness among both women and men. The products that we market under our own brands rank second in unaided brand awareness after Ray-Ban but before such frame brands as Dior, Chanel and Dolce & Gabbana for women and Krys, Lacoste and Optic2000 for men according to a survey of 825 respondents in France. The products that we market under our own brands are positioned in the middle market and appeal to customers seeking a brand name who may also be attracted to our multi-possession proposal that the Tchou Tchou offer allows (second pair of eyeglasses for €1.00). For the fiscal year ended July 31, 2020, the products that we market under our own brands represented approximately 46% in value of frames sold within our Alain Afflelou banner. Past years have been marked by the success of our Smart Tonic (renamed *Magic*) collection, a collection of frames with magnetic clips for a variety of purposes, including sun protection, blue-light filtering and night driving. As such, our own brand is not only using banner awareness to promote its mid-range price offer, but also ranks us among innovative brands for our own private labels. As of January 31, 2021, approximately 1.0 million *Magic* frames and approximately 2.2 million *Magic* clips have been sold since the launch of the collection in 2017.

#### Other brands and third-party names

As part of these offers, we negotiate the exclusive right to distribute ophthalmic frames and sunglasses collections from third-party brands. These ophthalmic frames and sunglasses are designed and produced by third-parties and are exclusively distributed across the networks of Alain Afflelou banner stores. For more information about our suppliers, see "*Sourcing, branding and manufacturing—Sourcing*". We also negotiate licenses for the design, product and marketing of ophthalmic frames and sunglasses. We select these products, subcontract their manufacturing pursuant to our specifications and market them under the brands for which we have obtained a license.

### Third-party manufacturers' products

Our networks offer a large range of products manufactured by leading producers of optical products. Through our central listing and payment unit, we allow the stores in our networks to access almost all optical products available on the market.

### *Lenses and contact lenses*

#### Proprietary products

We have been marketing our own products under our own brands (Éphémère since 2002, Protect since 2006 and Égérie since 2011) and exclusive products that have been licensed by us to certain third-party suppliers. These exclusive products, which cannot be found outside of our stores, provide franchisees with a competitive advantage by leveraging our advertising and communications to increase customer interest in our offering. Own-brand lenses and contact lenses are lenses and contact lenses distributed by us through our central purchasing units or by one of our suppliers in the context of a commercial offer. Manufacturers that we select to produce these exclusive products are generally leading industry operators, such as Hoya or subsidiaries of Essilor-Luxottica in respect of lenses and Coopervision and Safilens in respect of contact lenses. They are selected for the quality of their products, as well as for the logistics services they provide. When distributing own-brand lenses and contact lenses, we invoice licensing fees to suppliers. Such licensing fees are calculated as a percentage of the supplier's sales to franchisees and directly-owned stores.

#### Other products

We also offer a range of third-party lenses and contact lenses from large suppliers in particular lenses from Essilor-Luxottica, Carl Zeiss and Seiko and contact lenses from Bausch & Lomb, Alcon and Johnson & Johnson.

### *Commercial offers and marketing strategy*

We regularly launch commercial offers to drive traffic and increase sales in our stores. Many such commercial offers originated in France but have been successfully exported to Other countries where we operate and have become just as recognizable in such countries, particularly in Spain. The success of these commercial offers in different markets builds and reinforces the dynamism and attractiveness of our stores, in France or in another country.

The evolution of our commercial offers illustrates our constant desire to create added value, enhance the lives of our customers and offer a new and unique selling experience to franchisees. In the early days of our operating history through the 1980s, the commercial offers were focused on price, democratizing the optical product market and rendering it more accessible. In the 1990s, we began to focus on products, offering the first private label lenses and ready readers (which would eventually include contact lenses starting in 2002), which transformed our brand to signify not just a retailer, but also a provider of cutting edge products. In 1999, we introduced multi-possession with our Tchin Tchin offer that, for one franc (then €1.00), gives consumers the chance to own another pair of eyeglasses at very low additional cost, which was expanded with Tercera in 2004. The Tercera program was eventually transformed into a Summer/Winter promotion that offered two additional pairs of glasses for €1.00 more. In 2009, during the economic crisis, we launched NextYear to allow customers to have access to optical products and maintain a relatively low price. In 2017, we launched "Smart Tonic" (which we have since renamed "Magic"), a collection of frames with magnetic clips for sun protection, blue-light filter and night driving. In 2020, we launched "Serenity", insurance coverage for breakage and theft of glasses with very limited cost for the end customer.

The following table lists and describes our most significant and innovative commercial offers, most of which are still currently available in our store networks:

Year Launched	Product or Commercial Offer	Description
1978	" <i>La moitié de votre monture à l'œil</i> "	Frames sold at half price.
1985	" <i>On est fou d'Afflelou</i> "	First nationwide advertising campaign.
1991	" <i>Les lunettes en une heure</i> "	Glasses ready in an hour.
1994	"2Ai", replaced by "Protect" in 2006	First polycarbonate unbreakable lens.
1995	" <i>Cent pour Cent</i> "	First branded progressive multifocal lens offering better comfort to presbyotic customers.
1997	" <i>Forty</i> "	A package of four pairs of ready readers in four different colors, allowing customers to always have a pair of glasses handy.
1998	" <i>Funny</i> "	A package of four pairs of sunglasses.
1999	" <i>Tchin Tchin</i> "	A second pair of glasses for 1 franc (then €1).
2000	" <i>Tchin Tchin solaire</i> "	A second pair of sunglasses for 1 franc (then €1).
2002	" <i>L'Éphémère</i> "	First daily disposable contact lenses for €1 per pair.
2004	" <i>Tercera</i> "	Third pair of glasses for €15.
2006	" <i>Le Cinq</i> ", replaced by " <i>Égérie</i> " in 2011	Tailor-made progressive lenses, prepared pursuant to a surfacing technique called freeform, offering better comfort and instantaneous adaptation.
2006	" <i>Protect</i> "	Thin polycarbonate unbreakable lens.
2008	" <i>Ma collection</i> "	A collection of over 500 Alain Afflelou exclusive frames.
2009	" <i>E-forty</i> "	Ready-made pairs of glasses, with lenses adapted for mid-range vision, typically used for computer work.
2009	" <i>NextYear</i> "	Payment arrangement over one year, with twelve monthly payments, free of interest and other charges.
2011	" <i>Tchin Tchin Nouvelle Génération</i> "	The second pair of glasses may be given to a person chosen by the customer.
2013	" <i>1 mois d'essai gratuit</i> "	Free one-month trial for contact lenses.
2013	" <i>Toutes les montures à moitié prix</i> "	Frames sold at half price.
2014	" <i>Griffe Afflelou</i> "	Our brand of ophthalmic frames, sunglasses and bearing the "Afflelou" signature label ready readers.
2015	Win-Win	Payment arrangements in two years with monthly flat rate offer starting at €10.90, with various services included. Our Win-Win offer has now been retired.
2017	Smart Tonic (renamed " <i>Magic</i> " in 2019)	A collection of frames with magnetic clips for sun protection, blue-light filter and night drive.
2019	Tchin Tchin Audio	Replication of the iconic offer of Alain Afflelou banner in the hearing aid business.
2020	" <i>Serenity</i> "	An insurance to cover breakage and theft of your glasses at very limited cost for the end customer.

#### Product display

Customers visiting an Alain Afflelou store enter a bright and warm space that encourages them to discover our product offering. In particular, we strive to highlight the products from our signature brands. These frames are usually presented on a separate shelf to assist customers in making their choice and to encourage them to opt for multi-possession. Our communications regarding commercial offers and our latest advertisements are also present in the store's display posters for maximum impact.

## ONLINE ACTIVITIES

In 2012, we decided to develop our online sales activity. Progressively, we took a series of strategic decisions related to our online sales activity that we currently assemble in a single global digital offer.

Notably, we are exploring the possibilities of increasing our online presence due to regulatory changes introduced as part of the *Loi Hamon* in 2014. Currently we maintain websites in the languages of the principal countries where our banners operate, namely French, Spanish, Portuguese and Flemish for Alain Afflelou and French for Optical Discount and in French and Spanish for Alain Afflelou Acousticien. According to a market survey of French respondents conducted in 2018, the Alain Afflelou website was tied for first among the most visited websites in connection with a purchase of eyewear, and in first position when visits are cumulative. Additionally, in September 2016, we acquired two online pure players, Happyview.fr and Malentille.com, both of which engaged in the online sale of optical products. Happyview.fr was a website that sold corrective lenses and frames and was approved by the French Health Ministry and the French social security system. We have integrated the Happyview.fr activities into our French Afflelou website and we began selling corrective glasses on Afflelou.com in 2020. Malentille.com is a website that has sold contact lenses in France since 2006 and will continue to serve customers on its own platform with back-end integration with the Group's online activities. For further information regarding the online sale of optical products, see "*Industry—The optical product market—Optical product competitive landscape*".

The online eyewear activity has been relatively slow to catch on in Europe due to regulatory constraints which require a prescription prior to the sale of corrective eyeglasses, consumer shopping patterns that favor trying on eyewear in person and a lower sales penetration rate generally than the United States, for example. For further information regarding regulatory constraints in our main markets, see "*Regulation*".

The following sections briefly describe our online activities, which are part of our digital transformation plan, across our banners and our optical and hearing aids business lines.

### **Communications**

Our online presence primarily serves as a means to identify, inform and interact with existing and potential customers, including via social media, such as Facebook, Twitter, LinkedIn, Instagram, Pinterest, YouTube and TikTok, online advertisements, newsletters and descriptions of our products, services and commercial offers. In addition to these online communications initiatives directly-owned stores and individual franchisees may also operate their own Facebook pages.

### **Web-to-store/multi-channel initiatives and 24/7 access**

Our main online activity has since our beginning been concentrated on developing web-to-store traffic and multi-channel relationships with customers. Stimulating web-to-store traffic is achieved in a number of ways, including through geolocation functionalities on www.Afflelou.com which directs the user to their nearest point of sale, a click-and-collect sales feature offering free or discounted delivery of online purchases to a nearby store and an application that lets users digitally try on glasses by recording the user's face with a webcam and superimposing a model of the eyeglasses on the digital image. These initiatives seek to provide customers with a forum that is always available to our customers and potentially increase traffic into stores and convert such visits into sales by familiarizing customers with our products.

### **Online sales**

We sell mostly sunglasses, ready readers, contact lenses and contact lens solutions online, as these categories do not require vision exams or fitting and consumers are less likely to want to try out the products before purchasing. Online sales are made through our websites, which offer free shipping to stores and, in certain countries such as France and Spain, directly to customers' homes with a service charge. Each sale completed through our websites is allocated to a physical store (either franchisee or directly-owned) that is nearest to the customer, thus avoiding cannibalization of sales. We operate the online pure player Malentille.com which is focused on online sales of contact lenses, while the Alain Afflelou and Optical Discount online activities are dedicated to a broader range of products, including corrective glasses for Alain Afflelou. We are currently rationalizing our e-commerce offer across the various brands, alongside a digital transformation plan which aims to simplify the customer journey with Alain Afflelou. To this end, we have incorporated the activities of Happyview.fr into our French Afflelou website. *Malentille.com* continues to serve customers on its own platform with back-end integration with the Group's online activities and has been renamed *Malentille by Afflelou*.

## **Franchisee development information**

Our online presence is also focused on the further development of our franchisee network. Dedicated websites, such as <http://www.jouvreunmagasinafflelou.com>, direct opticians and audio prosthetists to learn more about franchise opportunities with our banners.

### **CUSTOMER SERVICE**

Presenting a consistent customer experience is an important component of our strategy. We provide a customer service hotline which answers queries from customers and franchisees regarding our products and commercial offers. We have put in place a team dedicated to this activity in France. In addition, we feel that all the services that we provide in our role as franchisor to the members of our networks fully contribute to improving customer service.

We regularly receive awards for our offering and our customer service. We have also won a number of industry awards in both France and Spain, such as optical customer service provider of the year by the *Elu service client de l'année* (ESCDA) market survey, conducted by Viseo Customer Insights, in France for five years in a row (2017, 2018, 2019, 2020 and 2021), "*Óptica del año*" by Inma Stratmarketing for best optician in Spain in 2015, 2016, 2017 and 2018, "best franchise in shopping centre" by the Asociación Española de Centros Comerciales in 2018 and "foreign franchise with the best implantation in the Spanish market" by the Asociación Española de Franquicias in 2018, as well as for our television and video advertisements which customers easily recall. Some of our franchisees also won the award of best hearing aid and optical franchisee in France in 2018 and 2020 by the *Fédération des Réseaux Européens de Partenariats et de Franchise* (IREF).

### **SOURCING, BRANDING AND MANUFACTURING**

#### ***Sourcing***

We maintain a flexible and efficient sourcing policy premised on long and trusting relationships with our suppliers. Our main partners and suppliers are Essilor-Luxottica, Safilo, Marcolin and De Rigo with respect to designer frames and sunglasses, Essilor-Luxottica, Hoya, Seiko and Carl Zeiss with respect to lenses, Bausch & Lomb, Alcon, and Johnson & Johnson with respect to contact lenses and Sivantos/Siemens with respect to hearing aid products. These suppliers are among our most important suppliers during the last three years. For more information about our and our franchisees' risk of dependence on certain suppliers and service providers, see "*Risk Factors—Risks related to our supply activities—We and our franchisees rely significantly on certain suppliers and service providers*".

For products that we market under our own brands, or for which we have obtained a license to produce, Okia and its network of independent factories in Asia has historically been our preferred intermediary for the external manufacturing of our exclusive products. Okia, which is a Chinese intermediary, is not a manufacturer but rather puts us in contact with a network of independent factories in Asia and allows us to obtain manufacturing conditions all while enjoying a unique commercial relationship. To develop our "Made in France" collection, we have recently begun developing our relationships with manufacturers in France. We also source part of our own collections from a Japanese manufacturer that is specialized in value-added products. For more information, see "*—External manufacturing*".

Our main interactions with our suppliers consist of: (i) negotiating common commercial terms and conditions that benefit all of our networks; (ii) purchasing and reselling optical products, namely lenses and contact lenses; (iii) arranging the manufacturing for our signature brand eyewear and licensed products; and (iv) entering into arrangements with suppliers pursuant to which such supplier partners provide logistics services and support to benefit our franchisees and directly-owned stores. Suppliers that fulfill the criteria that we set have access to our central listing unit.

#### ***Branding activities***

In 2014, we created our "Afflelou" signature label, which comprises a range of ophthalmic frames, ready readers and sunglasses. Our product design team (for our signature brand collections and licensed product collections) is composed of designers and product managers based in Geneva.

In order to develop our new collections, the product design team selects designs based on the latest trends and analysis of sales information from previous collections. We endeavor to continually introduce new models and update existing models while maintaining best sellers. In terms of ophthalmic frames and sunglasses, approximately 2.3 million Afflelou-branded frames and 0.6 million *Magic* clips were delivered to our network in the fiscal year ended July 31, 2020, and a variety of new SKUs are introduced each month allowing us to continuously renew our product offering.



Our product design team curates pieces for our signature brand products based on hand-drawn sketches and computer-rendered technical drawings provided by our manufacturers. The technical drawings are then used to define colors, materials and styles. Our creative director approves each technical design before being confirmed to the manufacturer for prototype creation.

In order to subcontract the production of a large number of SKUs that we market under our own brands, we make use of flexible manufacturing that allows a range of SKUs to be created each year with low incremental cost. This technique allows us to continuously renew our product offering by delivering a fashionable flair at a lower price point than luxury brand eyewear.

### ***External manufacturing***

We do not undertake manufacturing of our proprietary and licensed products. Instead, we outsource prototype creation and production, mostly to supplier partners in Asia. Our main sourcing relationship partner, Okia, works with a network of various manufacturing plants. For certain high-end models that we market under our own brands, we contract for their production with certain manufacturers in France in order to obtain the "Made in France" label in compliance with applicable French and EU regulations. This label indicates that the products were entirely made in France or that their last transformation occurred in France.

### **LOGISTICS**

We outsource our logistics functions with our supplier partners and a logistics partner through a special plan called "facing fix" which is designed to reduce the level of stock in our networks of stores. We have entered into agreements with certain of our exclusive lens suppliers (notably Essilor-Luxottica and Hoya) with respect to the storage of a buffer of inventory consisting of signature label frames and sunglasses. As a result of this arrangement, Afflelou brand frames and sunglasses purchased by end customers (either as a first product, or a second or third pair as part of the Tchén Tchén commercial offer) can be ordered by each franchisee selling such product together with the relevant lenses from such lens suppliers if they request that the supplier handles cutting and mounting for the Tchén Tchén glasses. The lenses and the frame arrive together so that the opticians may mount and fit them in the store. In other cases, the frames will come from our logistics partner.

This allows stores in our network to generally maintain only one display unit of each of our signature brand frames and sunglasses in the store and make multiple sales of such products per day. Stores only order a product from a supplier after the customer has confirmed the order.

For contact lenses, our warehousing and logistical support is also performed by the aforementioned external partner managing part of the exclusive frames products. We sell contact lenses through our central purchasing unit, which also acts as a dedicated ordering, logistics and fulfillment portal (which we refer to as "**Call**"), both to franchisees and end customers through our various online offers. The external partner manages the inventory and then fulfils the order once it has been confirmed.

Finally, for the stock of non-prescription sunglasses that we sell under our own brand, our European partners manage the logistics and fulfillment of orders by franchisees.

Third-party products that are ordered by franchisees and directly-owned stores from any listed suppliers through our central listing unit are delivered directly to the relevant store by such third parties.

### **INFORMATION TECHNOLOGY**

We maintain a centralized information technology ("**IT**") infrastructure that serves our headquarters, franchisor activities, and directly-owned store operations and also provides certain IT support and services to franchisees. The main objectives of our internal IT capabilities are to: (i) develop internal standards; (ii) collect information from our store network; (iii) connect points of sale to centralized databases; (iv) operate and supervise our online platforms such as the Afflelou Store and e-learning portals; and (v) assist in the maintenance of business continuity. IT systems that we manage include accounting and human resources software solutions, network monitoring, central purchasing and central listing and payment systems, communications systems and office equipment. We house our systems on two cloud-based datacenters.

Our IT team works with major in-store optical software providers and has developed a common, customized interface for us and our store network (called "**Entrenous**"). Franchisees are able to choose the in-store software provider of their choice from among our relationship suppliers. In-store software is purchased directly by the relevant franchisee.

The following briefly describes the main software platforms (proprietary, licensed or combination of both) that we consider important to carrying out our activities:

- *Call*: The Call platform is an ordering, logistics and fulfillment portal accessible by directly-owned stores and franchisees that enables them to directly place a global order for lenses and frames with one of two global supply partners (Essilor-Luxottica or Hoya) and receive the fitted eyewear directly from such supplier;
- *Entrenous*: In-house point of sale software interface loaded onto selected third-party point of sale software; and
- *Cimsup*: Licensed platform that provides inventory tracking for directly-owned stores to assist in monitoring the sale of proprietary frames.
- *Salesforce*: we have implemented Salesforce software to manage our customer database and more generally our customer relationship management program since 2017.
- *Microsoft PowerBI*: we have implemented the Microsoft PowerBI solution to manage franchisee performance.

We have dedicated significant effort in recent years to improve the tools that are available to end-customers, building up a large client database (both nationwide in France and Spain and at-store level), which is linked to and fed by our franchisees' point of sale systems and allows us to collect day-to-day data on network performance. We are currently focused on growing the proportion of franchisees that are sharing their client database with us (currently 86% of the total number of stores in France and nearly 100% in Spain). Our long-term ambition for our digital transformation plan is to significantly expand the end-customer data we have access to and explore opportunities to link this information more closely with our banners, which we expect to be assisted by a growing proportion of end-customers sharing their data and using our digital platform.

## **EMPLOYEES**

As of January 31, 2021, we employed 1,270 individuals (all types of work contracts included).

## **PROPERTY, PLANT AND EQUIPMENT**

As of January 31, 2021, we carried out our business throughout networks consisting of 1,435 stores, of which 1,275 were operated by franchisees and 160 were directly operated. As a result of our main franchisor activity, we do not own any significant tangible assets. As of January 31, 2021, the fixed tangible assets that we rent consist mainly of:

- administrative buildings used as offices for our administrative and business purposes in the countries in which we operate our business, in particular, France, Spain, Belgium, Luxembourg, Portugal and Switzerland. The Issuer's registered office is located at 11, rue d'Argenson 75008 Paris, France. Alain Afflelou Franchiseur, one of our subsidiaries, rents this as an office through a commercial lease agreement entered into on December 27, 2013 for a term of nine years beginning on January 1, 2014; and
- the 160 stores (as of January 31, 2021) that we directly operate mainly in France, Spain and Portugal. For further information concerning our directly-owned stores, see "*Distribution channels—Store networks*".

Our other fixed tangible assets consist of various equipment and fixtures at our administrative offices (mainly furniture and computer hardware), as well as furnishings and equipment for use in our directly-owned stores, whether they are owned by us (mainly furniture and computer hardware) or rented.

## **RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES**

In light of the importance of intellectual property rights in our business, we maintain a policy of vigilantly protecting our main intellectual property rights in particular: (i) frames that we distribute under our own brand names, including the "Afflelou" signature label; (ii) the technologies related to the frames that we distribute under our own brand names; (iii) the lenses that we develop in partnerships with market leaders and then market under our own brand names such as "Égérie" and "Protect"; and (iv) contact lenses that we develop and distribute under our own brand names such as "Éphémère". Our intellectual property policy is based on protecting our brand and domain names. This policy leads to local registrations or reservations or registrations or reservations in all countries in which we would like to protect our rights.

We have put in place a policy to prevent counterfeiting, concentrating particularly on France and Asia. The teams of stylists, as well as those working in our store networks, inform the legal department of any potential counterfeiting. After reviewing each situation on a case-by-case basis, and if the conditions are satisfied, we initiate legal proceedings against the alleged counterfeiter.

### ***Types of intellectual property***

#### ***Brands and domain names***

As of July 31, 2020, we maintained a portfolio of more than 750 registered trademarks in the main countries where we carry out business, at the national, European community and international level, as the case may be, in order to ensure an adapted and optimal protection of our business. These trademarks mainly include signs and logos incorporating the names "Alain Afflelou", "Afflelou", "Optical Discount" or "Alain Afflelou Acousticien" as well as certain other secondary signs and promotional offerings, such as "Tchin Tchin", "La Forty d'Afflelou" ("Forty by Afflelou") or "NextYear".

As of July 31, 2020, we had successfully filed more than 400 domain names in France and abroad, including "Alain Afflelou", "Afflelou", "Optical Discount", "Tchin Tchin" and "Forty", in various forms and extensions, in order to secure our rights over these names in all the countries in which we carry out business.

#### ***Brands and trademarks***

As of July 31, 2020, we maintained a portfolio of over 30 brands and trademarks registered in France and eight brands and trademarks registered in the main countries in which we carry out business, at the national or international level, as the case may be, in order to ensure an adapted and optimal protection of the frames that we distribute under our own brand "Afflelou".

### ***Patents, licenses, user rights and other intangible fixed assets***

#### ***License agreements that we issue***

We negotiate partnerships with certain worldwide leading producers of ophthalmic lenses to enter into brand license agreements for the production and development, in partnership with us, of products that use the latest technology. Moreover, we supervise the development of contact lenses that we distribute under our own brands, such as "Éphémère". As such, we have granted licenses to those with whom we develop these products, allowing them to use the technologies that we have developed.

#### ***License agreements issued to us***

We do not possess any significant right of use or intellectual property rights from third parties, except for software licenses used for the management of our databases, processing e-mails as well as the operation, development and maintenance of our technological platforms and our information system.

### **INSURANCE**

We maintain insurance to cover risks associated with the ordinary course of our business, including property and franchisor liability policies that are specific to the industry in which we operate, at levels that we believe are appropriate when taking into account our size and the risks incurred. Our insurance programs are negotiated and coordinated by our general counsel, who is responsible for identifying our insurable risks, quantifying their potential consequences for us, and designing or structuring adequate insurance programs with the support of leading insurance brokers with international networks. We aim to ensure that we maintain sufficient coverage for all our activities and locations. We have established internal claims procedures for each of our insurance policies in the event we experience a loss. We also periodically review our insurance coverage in light of innovative and new risk transfer solutions offered by the insurance markets in order to ensure that the terms and conditions of our coverage are adequate, to verify that our deductibles and premiums are at reasonable levels and to reflect changes in our risk profile that arise as a result of events such as mergers and acquisitions, new fields of activity and the development of new technologies. We do not operate, rent or own any captive insurance vehicles.

Our main insurance policies, entered into with reputable insurance companies, cover types of exposures including the following:

- general business liability insurance in regards to our headquarters, which covers real estate and property damage, business interruptions and third-party claims;
- fraud insurance, which covers costs related to harm to our brand and reputation;

- franchisor civil liability insurance;
- directors' and officers' civil liability insurance; and
- cyber risk insurance.

Our insurance policies contain exclusions, caps and deductibles that could expose us to unfavorable consequences in the event of a significant event or legal action against it. Moreover, we may be required to indemnify third parties for certain damages that are not covered by our insurance policies or to incur significant expenses that may not be covered, or may be insufficiently covered, under our insurance policies. In addition, the efficacy of our insurance coverage depends on the ongoing viability of our insurers. See also *"Risk Factors—Risks related to our general operations—We may incur liabilities that are not covered by insurance"*.

#### **LEGAL AND ARBITRATION PROCEEDINGS**

We may be implicated in legal, arbitration, administrative or regulatory proceedings within the normal course of our activities, in particular in relation to our franchisees. We record a provision when there is a sufficient probability that such proceedings will create costs for us or one of our subsidiaries and when the amount of these costs may be reasonably estimated. As of the date of this Offering Memorandum, we have no knowledge of any governmental, judiciary or arbitral proceedings (including any proceeding of which we are aware that is unresolved or which threatens us), other than those mentioned below, that is likely to have an effect or has had a significant impact during the last twelve months on our financial situation or profitability. See also *"Risk Factors—Risks related to legal and regulatory matters—Risks related to disputes"*.

#### ***Proceeding concerning alleged antitrust practices as the result of a vertical agreement concerning the price of frames***

Alain Afflelou Franchiseur, an indirect subsidiary of the Issuer, is involved in an antitrust proceeding initiated by the French Competition Authority (*Autorité de la concurrence*) in relation to certain anticompetitive practices concerning the prices of certain frames, alleged to have occurred during the 2000s among certain manufacturers and distributors, including Alain Afflelou Franchiseur, in violation of Article L. 420-1 of the French Commercial Code and Article 101-1 of the Treaty on the Functioning of the European Union.

In this regard, Alain Afflelou Franchiseur received a notice of complaint from the French Competition Authority in May 2015. Alain Afflelou Franchiseur replied to the notice in July 2015, refuting all allegations of anticompetitive practices.

In July 2016, Alain Afflelou Franchiseur received a reply from the French Competition Authority rejecting all rebuttals presented by Alain Afflelou Franchiseur, but did however reduce the initial period during which the alleged practices occurred, and stated that such practices occurred between February 25, 2005 and December 31, 2009 and set a maximum sanction of approximately €12.5 million. Alain Afflelou Franchiseur responded to the French Competition Authority on October 13, 2016, vigorously contesting all allegations.

Even if Alain Afflelou Franchiseur intends to continue to defend against all of the French Competition Authority's allegations, we cannot exclude the possibility that the French Competition Authority may impose a fine and cannot exclude the possibility that the amount of such fine may be in excess of the above mentioned maximum amount. In light of applicable regulations, information in the French Competition Authority's July 2016 report, the French Competition Authority's past decisions and its instruction dated May 16, 2011 on sanctions, a potential sanction could be in an amount between 0% and 30% of Alain Afflelou Franchiseur's revenue from the sales of products implicated in the proceeding. This amount will then be multiplied by a coefficient based on the alleged duration of the infraction (*i.e.*, according to the French Competition Authority's July 2016 opinion, between February 25, 2005 and December 31, 2009) and, if necessary, increased by up to 50% of the fine for repeat offenses, as Alain Afflelou Franchiseur has been sanctioned in the past by the French Competition Authority. As of the date of this Offering Memorandum, no provision has been set aside in the Issuer's consolidated accounts for this proceeding.

On February 24, 2017, the French Competition Authority rendered a decision in these antitrust proceedings. In this decision, the French Competition Authority referred the matter for further procedural inquiry. We cannot speculate as to what the result of these procedural inquiries will be but note that the agreement in question has not been identified.

On April 19, 2019, Alain Afflelou Franchiseur received, along with other manufacturers and distributors involved in this proceeding, a notification of further notice of complaint by the French Competition Authority. This notice does not contain any new complaint specific to Alain Afflelou Franchiseur.

On March 2, 2020, Alain Afflelou Franchiseur received an additional report by the French Competition Authority, in which Alain Afflelou Franchiseur was not directly implicated, however Alain Afflelou Franchiseur has made a reply to the French Competition Authority responding to certain arguments raised in the proceeding.

A hearing on this matter was held on January 13, 2021, during which the defendants argued that the statute of limitations has expired and that the matter is now time-barred. We are awaiting a further decision from the French Competition Authority.

#### ***Reassessment of the Group's VAT deduction from the French tax authorities***

In December 2017, the Group received a notice of a proposed reassessment from the French tax authorities following an audit relating to VAT deduction made by Optical Finance (the franchisor operating the Optical Discount banner), an entity we acquired in July 2015, for the period from January 1, 2014 to November 30, 2016. The French tax authorities concluded that Optical Finance participated in a VAT tax evasion scheme during such period. The French tax authorities' reassessment included adjustments amounting to €1.5 million (€966,000 in tax reassessment, €386,000 in penalties and €134,000 in late payment interest). Following receipt of the tax authorities' confirmed reassessment for the full amount on August 16, 2018, the Group provisionally decided to pay the sum corresponding to the principal of the reassessment (€966,000). However, we believe that the French tax authorities' position is unfounded and decided to challenge the decision. On March 5, 2019, the French tax authorities rejected the challenge. Therefore, we decided to contest this decision before the French administrative tribunal of Paris and thus filed a claim on March 29, 2019. The Group also exercised its call option pursuant to the vendor warranties issued by the vendor's shareholders relating to its acquisition of Optical Finance (such vendor warranties being however capped at €1 million).

#### ***Tax proceedings on the Group's income tax from the French tax authorities***

Alain Afflelou Franchiseur was subject to a tax audit for the period from August 1, 2009 to July 31, 2012. As a result of this audit, the French tax authorities issued a tax reassessment notice mainly reassessing the price at which Alain Afflelou Franchiseur sold certain holdings in 2010, claiming that such sale price should have been higher in order to be considered as having been made at arm's length. As we believe there are robust arguments to challenge the position of the French tax authorities, we filed a claim with the French lower administrative court on December 28, 2018, which was rejected by the French tax authorities and thus led us to file a request with the French administrative court of Montreuil on March 11, 2021.

In December 2018, we received a notice of a proposed reassessment of our income tax for the fiscal years ended July 31, 2013, 2014 and 2015 from the French tax authorities. This proposed reassessment relates to the deduction of interest charges relating to the 14% interest rate on convertible bonds issued by 3ABOD (which now sit at the level of the Issuer) (i.e. the Shareholder Bonds) in July 2012 for an amount of €203.3 million, in relation to the acquisition of the Group by the Sponsors. The French tax authorities consider, on the grounds of the abuse of law theory, that the interest on the Shareholder Bonds should not have been deducted from the corporate tax, to the extent the Shareholder Bonds qualify as an equity financing by the main shareholders, and correspond to dividend distributions. Based on legal advice, we have contested this proposed reassessment in a response sent to the French tax authorities in February 2019. On March 30, 2021, the French tax authorities confirmed however that the reassessment was maintained and that the case could be referred to the tax abuse committee (*Comité de l'abus de droit fiscal*). We intend to submit our case to the opinion of the tax law abuse committee. In addition, in March 2021, the French tax authorities launched a second tax audit with respect to the fiscal years ended July 31, 2016, 2017, 2018, 2019 and 2020.

Deferred tax assets in respect of tax losses carried forward amounted to €65.4 million as of January 31, 2021. According to our preliminary estimates, if the French tax authorities were to prevail concerning the second and third disputes discussed above, it could result in both (i) a reduction of the amount of tax losses carried forward for an amount (estimated as of the date of this Offering Memorandum) of deferred tax assets of approximately €58 million and (ii) the payment of (x) income taxes for the years subject to tax reassessment or tax audit as well as the first six months of the 2021 fiscal year (i.e., from August 1, 2020 to January 31, 2021) and (y) related penalties for a maximum total estimated amount as of the date hereof of approximately €21 million based on the current status of the procedure. We dispute the findings of the French tax administration and intend to challenge the administration's position

in the next coming weeks. However, we cannot predict the timing or the final outcome of this challenge or more generally the above proceedings and we cannot guarantee that the ultimate tax impacts for the Group will not differ from the amounts referred to above. Furthermore, the Group may face an additional tax burden in respect of future fiscal years depending on the outcome of the dispute with the tax administration and the position retained by the Group on the tax treatment of the interest on the Shareholder Bonds.

## Regulation

*We are subject to a wide variety of laws, regulations and industry standards in the jurisdictions in which we operate. The following provides a brief description of the main laws and regulations that govern our activities and personnel in our two main markets, France and Spain. References and discussions to directives, laws, regulations and other administrative and regulatory documents are entirely qualified by the full text of such directives, laws, regulations and other administrative and regulatory documents themselves.*

This section describes the regulations applicable to the optical and hearing aid retail industry in our two main markets, France and Spain.

### European Laws and Regulations

#### *Data Protection Law*

As retailers, we Process customer data notably for marketing purposes, as well as Personal Data of other individuals such as employees or suppliers. Compliance with data protection laws must therefore be ensured. Our ability to collect, store and Process such Personal Data is governed by data protection and privacy regulations and guidance issued by, among others, the data protection supervisory bodies in Europe such as the European Data Protection Board (EDPB). The privacy regulations include, for example, the GDPR and the Privacy and Electronic Communications Directive 2002/58/EC.

The GDPR provides a common framework within the European Union for data protection and regulates the Processing and transfer of Personal Data. In the course of our activities, we may act as a "Controller" or as a "Processor", as defined by the GDPR, depending on our role and the capacity within which we Process Personal Data belonging to Data Subjects. As required by the GDPR, we have designated the French Data Protection Authority (*Commission Nationale de l'informatique et des Libertés*) ("**CNIL**") as lead supervisory authority.

The GDPR and local legislations in the European Union impose a strict data protection compliance regime including:

- the accountability principle, requiring companies to demonstrate and record compliance with the GDPR, including the maintenance of a detailed record of Personal Data Processing activities as required by Article 30 of the GDPR;
- the appointment of a data protection officer, in certain circumstances;
- the requirements to Process Personal Data lawfully, fairly, and in a transparent manner, to Process Personal Data only to the extent necessary for the purposes required, maintain the accuracy of Personal Data, limit the retention of Personal Data for no longer than is necessary, and maintain appropriate technical and organizational security measures against unauthorized Processing or accidental loss, destruction or damage to Personal Data;
- an obligation to provide clear notice of Personal Data Processing activities to Data Subjects, which must include, among other details: the identity of the Controller; the nature and purpose of the Processing activities; the legal basis applicable to each Processing activity; the categories of Personal Data Processed, the recipients to whom the Personal Data are disclosed; the rights of the Data Subjects; and details of any cross-border transfers of Personal Data;
- an obligation to include certain mandatory contractual terms in agreements with certain service providers which Process Personal Data on our behalf as required by Article 28 of the GDPR;
- restrictions on the export of Personal Data to recipients located in countries outside of the European Economic Area;
- obligations to consider data protection issues with respect to the development of any new products or services which involve the Processing of Personal Data ("data protection by design"), and to ensure that by default, the amount of Personal Data Processed is limited to what is necessary in the context of the relevant Processing activity ("data protection by default");

- a requirement to undertake a data protection impact assessment with respect to Processing activities that are likely to result in a high risk to the rights and freedoms of relevant Data Subjects as required by Article 35 of the GDPR;
- obligations to comply with the data protection rights conferred on Data Subjects including, in certain circumstances: a right to be informed; a right of access to Personal Data; a right to rectification of Personal Data; a right to obtain restriction of Processing; a right to object to Processing; a right to data portability (*i.e.*, to request that Personal Data be transferred to another Controller); a right not to be subject to certain types of profiling or automated decision making; and a right to request erasure of Personal Data; and
- an obligation to notify Personal Data Breaches to Supervisory Authorities without undue delay and no later than 72 hours after detection of the relevant Personal Data Breach, except where the Personal Data Breach is unlikely to result in a risk to the rights and freedoms of individuals, and an obligation to notify affected Data Subjects without undue delay, if the Personal Data Breach is likely to result in a high risk to the rights and freedoms of the affected Data Subjects.

The GDPR introduces fines for serious breaches of up to the higher of 4% of annual worldwide revenue or €20 million. The GDPR identifies a list of points to consider when determining the level of fines to impose (including the nature, gravity and duration of the infringement). Data Subjects also have a right to compensation for financial or non-financial losses (*e.g.*, distress) in certain circumstances. Data Subjects may bring complaints via the courts, or via Supervisory Authorities, or both, and in some circumstances may have a choice as to the EU Member State(s) in which they bring such claims. Although we take extensive efforts to comply with all applicable laws and regulations, we cannot assure that we will not be subject to regulatory and/or private action, including fines, for non-compliance with data protection and privacy laws, including in the event of a security incident. We could be adversely affected if legislation or regulations are expanded to require changes in our business practices or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively affect our business or financial condition.

We work to comply with applicable laws and regulations relating to privacy, data protection and information security. Dedicated employees are in charge of data protection compliance within the Group and provide support for data protection and privacy-related requests. We maintain privacy information notices for individuals whose Personal Data is processed, enter into data processing agreements, conduct data protection impact assessments when necessary, perform product and feature reviews, and maintain a reasonably exhaustive list of data collected and processed. We take a variety of technical and organizational security measures and other procedures and protocols to protect data, including data pertaining to customers and employees. Despite measures we put in place, we may be unable to anticipate or prevent unauthorized access to or disclosure of such data.

## **France**

Our primary business is providing services and support to our franchisees. In our capacity as franchisor, we are subject to certain laws and regulations governing our business and relationships with our franchisees (including pursuant to the French Civil Code and French Commercial Code). In addition, in our capacity as operator of our directly-owned stores, we are subject to regulation as a retailer and distributor of optical and hearing aid products. In France, the optical and hearing aid product markets are highly regulated, as optical and hearing aid products are considered to be healthcare products. A particularity of the optical and hearing aid retail market in France is the historical existence of a system that provides for patient reimbursement through both the public health insurance system and complementary health insurance providers. The regulations applicable to the industry have recently undergone, and may continue to undergo in the future, changes, particularly in respect of the complementary health insurance reimbursement system.

### ***Regulations governing franchise operations in France***

In France, various provisions set out relationships between franchisor and franchisee and operate to afford protection to franchisees, including as a result of the *Loi Doubin* (Law no. 89-1008 of December 31, 1989) (the "**Loi Doubin**") and certain provisions of the French Commercial Code. Franchisees are in principle deemed to be independent entrepreneurs. The *Loi Doubin* and certain provisions of the French Commercial Code provide certain protections to franchisees in the context of the entering into of a franchise agreement and franchisors are subject to regulations preventing undue



interference of a franchisor in franchisees' business operations, as well as requiring that franchisors provide certain information to franchisees and potential franchisees. For example, franchisors are required to provide potential franchisees, or current franchisees contemplating the opening of a new store, with certain information at least 20 days prior to entering into a franchise agreement. Such pre-contractual information ("*Document d'Information Précontractuel*" or "**DIP**") should address, among other things, the franchisor's performance, network, industry, local market and terms of the franchise agreement. French law also contains various other important provisions that could apply to franchising relationships including for instance specific rules and requirements regarding (i) payments that may be required prior to conclusion of the franchise agreement and their consideration, (ii) duration and termination of contracts in the context of "commercial distribution networks" ("*réseaux de distribution commerciale*"), as well as (iii) non-competition provisions and, in particular, post-contractual relationship non-competition provisions. Moreover, issues in terms of exclusivity commitments and competition law may arise in the context of franchising relationships, including regarding vertical restraints and price fixing issues. *Ordonnance no. 2016-131* dated February 10, 2016 reforming general contract law and proof of obligations came into force on October 1, 2016. This ordinance introduced new provisions to French law, as subsequently amended by Law no. 2018-287 of April 20, 2018, certain of which are likely to have an impact on the franchise relationships and contracts and the DIP that we enter into with our franchisees.

### ***Regulations governing business-to-business relationships, including relationships between suppliers and distributors (purchase for resale) in France***

Relationships between supplier and distributors as well as any other commercial (business-to-business) relationships are more generally regulated in France. Specific rules apply notably to (i) business partners' negotiations and formalization of their relationships (ii) payment terms and late payments mechanisms and (iii) certain prohibited practices (e.g. obtaining or seeking to obtain an advantage that has no consideration or that is manifestly disproportionate compared to the value of the service provided, submitting or attempting to submit the other party to obligations creating a "significant imbalance" in the parties' rights and obligations, "sudden termination" of an established commercial relationship; etc). The legal framework of these prohibited practices has been recently amended, including by the Ordinance 2019-359 dated 24 April 2019 and laws 2020-1525 dated December 7, 2020 and dated December 3, 2020.

In relation to relationships between suppliers and distributors (purchase for resale), there exist strict rules and regulations under French law. Depending on the type of product purchased/sold, there are specific requirements applicable to the parties' negotiations and to the formalization of the parties' relationship in a specific agreement, whose content and duration are strictly regulated.

### ***Regulations governing business-to-consumer relationships in France (including in an "e-commerce" context)***

A wide range of rules and requirements apply in the context of business-to-consumer relationships, often as a result of EU legislation, including for instance in terms of (i) consumer information, for instance on such things as the price (ii) content and clarity of contracts (iii) prohibition of unfair commercial practices and unfair contract terms, (iv) distance selling and online trading (v) conformity and safety of products, and (vi) legal guarantees. Some additional rules also apply in the context of e-commerce relationships between customers and professionals. This is for instance the case for specific withdrawal rights offered to customers in such context or reinforced transparency obligations vis-à-vis such customers. Moreover, consumer credits are also specifically and strictly regulated in France and should be taken into account if a company is engaged in consumer credit activities.

### ***Regulations governing the optical product and hearing aid market in France***

#### ***Access to the optician and audio prosthetist professions***

Opticians are licensed professionals who are able, generally subject to a prior prescription, to perform eye tests, advise on the selection of corrective lenses and dispense such products for the purposes of vision correction. To qualify as an optician in France, students must obtain a certificate in optical studies (*Brevet de Technicien Supérieur Opticien Lunetier*, or "**BTS**", or *brevet professionnel d'opticien-lunetier*) or benefit from an equivalent certificate or practical experience in another European Union Member State as well as from an individual authorization to practice in France. To qualify as an audio prosthetist in France, students must obtain a specific audio prosthetist diploma (*Diplôme d'État d'audioprothésiste*) or any diploma enabling a person to operate as a physician in France or benefit from an equivalent

diploma or practical experience in another European Union Member State as well as from an individual authorization to practice in France.

#### *Sales of optical and hearing aid products*

The French Public Health Code (*Code de la santé publique*) historically provided that commercial establishments whose primary purpose is to sell optical products may only be supervised or managed by qualified opticians. However, in 2014, the *Loi Hamon* or *La Loi relative à la consommation* (Consumer Affairs Law no. 2014-344 dated March 17, 2014) amended the French Public Health Code (see Art. L. 4362-9) such that it is no longer necessary for managers of an optical retail store to be qualified opticians. Nevertheless, optical retail stores must still employ at least one qualified optician during business hours, who will be responsible for the sale and delivery of corrective lenses and contact lenses. The *Loi Hamon* also authorized the sale of optical products over the Internet in France (see Article L. 4362-10-1, implemented by Decree no. 2015-1223, as described below) and requires that ophthalmologists systematically specify on their prescriptions the interpupillary distance, which is one of the key details needed to correctly fit a pair of glasses. The development of Internet sales of optical products may be facilitated as customers use this information to order their optical products from the Internet. Similar to the regulations limiting the sale of optical products, the French Public Health Code provides that only audio prosthetists may sell hearing aids in a place compliant with applicable French regulations (See Articles L. 4361-1 *et seq.*).

Since January 1, 2018, retailers of optical and hearing aid products have been required to provide consumers with additional price and product information. The French Ministry of the Economy and Finance published a ministerial order on April 28, 2017 that requires all optical and hearing aid product retailers and service providers to clearly indicate in their stores that customers will receive a free and detailed estimate before any purchase (Articles 1 and 2) and must display the prices for products and services (Article 3). These same requirements apply to online retailers. The estimate must comply with a standard form annexed to the ministerial order. All estimates must be maintained for at least one year after they have been provided to a customer (Article 4). In addition, retailers are required to inform their clients of certain information concerning optical and hearing aid products such as the country of origin (Article 5).

#### *Data protection*

Since entry into force of the GDPR, we are not required to make filings with the *Commission Nationale Informatique et Libertés* or request authorizations with the same entity (except in respect of certain very limited exceptions), to process personal data. The GDPR requires that companies that handle personal data adhere to the GDPR's principles relating to processing of personal data and comply with certain recordkeeping and processing requirements and be able to demonstrate compliance with the aforementioned requirements. In addition to the GDPR, French data protection Law no. 78-17 dated January 6, 1978 as modified applies in France. In the ordinary course of business, opticians and audio prosthetists in our networks receive and store confidential, personal and sensitive data, such as medical, social security and health insurance information with respect to customers, and are therefore subject to privacy and security regulations with respect to the use and disclosure of protected health and personal information. In December 2015, the EU approved the GDPR with respect to data protection. The GDPR enhanced existing legal requirements through several new rules and includes stiff penalties (up to the higher of €20 million and 4% of global turnover) for organizations that fail to comply. The GDPR has been directly applicable in all member states since May 2018 and to all European Economic Area member states thereafter. In addition, following the adoption of the GDPR, on January 11, 2017 the EU Commission published a proposal for an e-privacy regulation to replace the existing e-privacy directive that regulates privacy related issues in the electronic communications sector. Discussions for the adoption of the e-privacy regulation are ongoing, on the basis of the latest proposal agreed on February 10, 2021 by the Council of the European Union.

#### *Prescription system*

A medical prescription is required to purchase corrective lenses and contact lenses in France. The French Public Health Code provides that any doctor is entitled to practice all diagnostic procedures for both prevention and treatment. In practice, ophthalmologists ordinarily prescribe corrective lenses and contact lenses. Decree no. 2016-1381 dated October 12, 2016 regarding the conditions for issuing corrective lenses and contact lenses and the regulations governing the exercise of the profession of dispensing optician, issued by the French Ministry of Social Affairs and Health and last modified by a Decree n°2020-475, introduced a number of changes mainly concerning the conditions for issuing optical products. Pursuant to this decree, a prescription from an ophthalmologist for correct lenses is

generally valid for five years (unless provided otherwise by the ophthalmologist), with some exceptions for patients in certain age groups, while the first prescription for contact lenses is valid for one year. Unless expressly stated otherwise by the prescribing doctor, the optician may adapt the medical prescription on renewal following a refraction test. In the event of loss or breakage of corrective lenses and in the case of an emergency, the optician may issue corrective lenses without a medical prescription. A medical prescription is also required to purchase hearing aids in France. Ear, nose and throat specialists or a general physician benefiting from a specific training are allowed to prescribe hearing aids. Currently, a prescription for hearing aids is valid for one year. Following the 100% Santé reforms, there is now the option for licensed opticians to make certain vision exams, reimbursed by French public health insurance and OCAMs, up to €10, in order to facilitate the repurchase of glasses with a prescription from an ophthalmologist provided, in most cases, less than five years ago.

France is experiencing a shortage of ophthalmologists and the 2015 *Loi de Santé* (Law no. 2016-41 dated January 26, 2016 to modernize the French healthcare system) is an effort by the French government to address this shortage by allocating certain responsibilities to opticians, in particular, when renewing a prescription, opticians can adapt the original prescription, unless the doctor objects (See Art. L. 4362-10 of the French Public Health Code).

### **Regulations governing the French complementary health insurance system**

In France, the public health system and private health insurers (OCAMs) complement each other to provide reimbursement for a significant portion of optical and hearing aid expenses. The French complementary health insurance system generally allows third-party payment (*tiers payant*), which was implemented to facilitate and encourage access to healthcare. Through this scheme, reimbursement of medical expenses is paid directly by the public health system or OCAMs to healthcare providers.

The public health system ordinarily pays a small portion of optical and hearing aid product costs, with the remainder paid by OCAMs. For example, the public health system covers approximately 5% of optical product costs, compared to approximately 65% reimbursed by OCAMs. Nonetheless, the public health system plays a significant role in the optical and hearing aid product markets, as reimbursement by OCAMs is generally conditional upon reimbursement by the public health system. Over 99% of the French population was covered by private health insurance plans or CMU as of 2020, according to Gallileo.

Today, most of the OCAM contracts that are subscribed in France are considered "responsible" contracts and as such, they are entitled to preferential tax treatment (according to *La Direction de la recherche, des études, de l'évaluation et des statistiques*, over 98% of policyholders benefits from responsible contracts). For a contract to be deemed "responsible" it must comply with a number of criteria, including a subscription fee that does not vary depending on the health condition of the subscriber. Additionally, as of April 1, 2015, in accordance with Decree no. 2014-1374 relating to the content of the complementary health insurance policies benefiting from tax and social aids (which modified Articles R. 871-1 and R. 871-2 of the French Security Health Code, further amended by Decree n°2019-21 of January 11, 2019), the imposition of minimum and maximum thresholds on reimbursements of optical products became a criterion required for an OCAM contract to be qualified as responsible. The maximum threshold for qualifying as "responsible" has been set at €800 for a pair of glasses. In general, the maximum price for a pair of glasses with unifocal lenses is €420 and €800 for a pair of glasses with multifocal lenses (including a maximum of €100 for frames irrespective of the type of lenses used). Moreover, the French government has established a "Price Observatory" which monitors and may adjust these thresholds in the future. Additionally, since the entry into force of Decree no. 2014-1374, the maximum renewal frequency, initially one year, has been changed to two years (other than for children under 16 years old or in case of a change in prescription).

Care networks ("*réseaux de soins*") are third-party platforms organized by insurers that act as intermediaries between OCAMs and healthcare professionals, including opticians and audio prosthetists. Opticians that join a care network agree to certain rules imposed by the care network, including maximum prices for the products they sell or quality certifications. Furthermore, customers purchasing optical products from a store that has joined a care network may also benefit from third-party payment (e.g., payment directly by the OCAMs). Care networks are authorized under Article L. 863-8 of the French Health Security Code provided that certain requirements are met (e.g. the criteria for joining the network must be objective, transparent and non-discriminatory, without any exclusivity clause, and these networks cannot restrain the patient from freely choosing a health practitioner).

Care networks may be either "open" or "closed", as regards membership by opticians. Open care networks generally have lower entry requirements than closed care networks, as the number of

opticians within an open care network is not limited, only subject to certain conditions and opticians may apply at any time to be admitted to an open care network. In open care networks, moderate price rebates negotiated with the opticians are generally estimated at approximately 20% off catalogue prices. Policyholders who choose to go to an "agreed" optician in the network benefit from slightly lower prices with no obligations attached. Closed care networks have a *numerus clausus*, i.e., they set their own target in terms of number of opticians (balancing the need to cover the territory against the necessity to direct customers to a particular optician within the network), beyond which the network will no longer accommodate any new opticians even if they meet the criteria of the network. In practice, this type of network is created for a period of two to four years, which is renewable through a tender process. Opticians may only apply before a certain deadline, or period of application. Closed care networks are more restrictive than open care networks: tighter rules are imposed on opticians, particularly on the type of products offered to customers and discounts that may be granted (usually between 35% and 40% off catalogue prices for corrective lenses).

OCAMs may implement differentiated reimbursement levels, depending on whether a policyholder goes to an optician that has joined the relevant care network or an optician that is outside the care network. OCAMs may provide a lower level of reimbursement to policyholders who purchase optical products from opticians that are outside the care network and a higher level of reimbursement to policyholders who purchase optical products from opticians that have joined the OCAM's care network. As a result of lower prices and in some cases, differentiated pricing, OCAM's policyholders will be incentivized to go to the particular optical store within the policyholder's area, that has joined the care network. OCAMs cannot, on the contrary, provide a different level of reimbursement to policyholders depending on whether they consult a doctor (such as an ophthalmologist) who is within the network (per Article L. 863-8 of the French Health Security Code).

In France, individuals with annual incomes below certain thresholds may benefit from governmental aid to access complementary health insurance (the ACS and the CMU-C have been replaced, since November 1, 2019, by the *Complémentaire Santé Solidaire* or "**CSS**"). The ANI provides that all employers in France must provide private health insurance to their employees as of January 1, 2016. CSS recipients must choose one complementary insurance program on a list published online on [complementaire-sante-solidaire.gouv.fr](http://complementaire-sante-solidaire.gouv.fr). Recipients are entitled to a reduction on their annual healthcare premium.

In January 2018, the French government began a consultation process in connection with the stated intention of the French Health Minister to improve access to and reduce costs of healthcare services for end consumers. The medium-term objective was to ensure that consumers bear no out-of-pocket costs for certain health-related products, including glasses and hearing aids, by 2021. The new measures create two categories of glasses, with different pricing rules for each category. The first category corresponds to the zero consumer cost (RAC Zéro) offer and the second category is not regulated by the new regime with respect to prices. Both categories however will be covered by new rules regarding product offerings and reimbursement. The 100% Santé measures were confirmed in June 2018 and completed by Decree n°2019-21 and include, but are not limited to, the following provisions for the optical sector:

- a "zero consumer cost" (RAC Zéro) offer, which consists of a basic "basket" for unifocal and multifocal glasses (set at approximately €100 and €195, for the most common unifocal and for multifocal glasses with thin, anti-reflective lenses, respectively). All opticians are required to make this offer available to customers, offering a minimum range of 17 frames for adults and 10 frames for children. Every quote to customers must include a zero consumer cost offer. The basket for frames is set at a maximum of €30. As a comparison, according to a 2020 Gallileo survey, in France, a pair of unifocal glasses costs consumers on average €304 and a pair of multifocal glasses costs consumers on average €551;
- a reduction in the reimbursement cap used by private health insurers to €100 for frames, as compared to the previous cap of €150 and as contrasted with an average cost for frames of €113 (for unifocal lenses) and €158 (for multifocal lenses), according to a 2019 Gallileo survey; and
- the option for opticians to make certain view exams, reimbursed by French public health insurance and OCAMs, up to €10, in order to facilitate the repurchase of glasses with a prescription from an ophthalmologist provided, in most cases, less than five years ago.

French health care systems have struggled to take the new classification codes of products into account, especially for lenses, thus making it difficult for opticians to get the necessary information on reimbursement levels to end customers and, consequently, to invoice end customers.

In the hearing aid sector, similar discussions have also been conducted and the zero consumer cost (RAC Zéro) offer for hearing aids has been set more progressively (€1,300 in 2019 (the price ceiling for "Segment I" products, with a co-pay from the customer), €1,100 in 2020 (the price ceiling for "Segment I" products, with a co-pay from the customer) and €950 in 2021 (the price ceiling for "Segment I" products, with no co-pay from the customer)). GfK estimated an average price of €1,552 for a hearing aid device in 2019 which had decreased to an average price of €1,535 by July 2020. Before the full implementation of the RAC Zéro offer for hearing aids in 2021, the out-of-pocket cost of hearing aids was between €700 and €1,000, according to a 2019 Arcane report. As in the optical market, there is, on one hand, a higher proportion of value-added products (such as in-ear devices and remote headphones) and, on the other hand, the increased offering of reasonably priced devices and, since January 2021, the ability for end customers to acquire a hearing aid device (valued up to €950) without any out-of-pocket expense. Pursuant to the 2021 Law on the Financing of the Social Security System, OCAMs will have to specify, starting in calendar year 2022, in their responsible contracts (as described above) that customers purchasing optical and hearing aid products covered by 100% Santé are able to benefit from third-party payment (e.g., payment directly by the OCAMs). These new requirements could lead to delays in the processing of responsible contracts by OCAMs.

We have engaged a consulting company to assess the potential impact of such changes. The conclusions of their assessment are as follows:

- the zero consumer cost (RAC Zéro) offer is expected to have a relatively, limited impact on the total optical market. Low-price offerings that are below the zero consumer cost offer, mainly corresponding to CMU (*Couverture Maladie Universelle*) policy holders totaling around 8% of glasses buyers, are expected to rapidly align with the zero consumer cost offer. In addition, a growing population of new glasses wearers (estimated to be less than one million people) who previously did not purchase glasses due to high prices will also compensate the negative impact of the alignment of medium to low price offers down to the zero consumer cost offer. Further, the zero consumer cost offer will attract purchasers of unifocal lenses, which represent a higher proportion of our customers as compared to the market. Overall, the zero consumer cost offer is forecast to attract approximately 10% to 20% of glasses wearers.
- the reduction in the reimbursement cap to €100 for frames (from the previous cap of €150) is expected to have the most significant impact on the optical market in which we operate as customers that historically purchases frames below €150 show price sensitivity. The reduction in reimbursement will put a higher burden on consumers for the difference between the actual price of the frames and the €100 reimbursement cap. In December 2020, the average cost of frames in France was approximately €130 per frame according to Gallileo (€113 for monofocal glasses and €158 for multifocal glasses).

Overall, we expect the negative impact of these regulatory changes to be approximately 2% of the total optical market in terms of value. We believe natural market growth, fueled by positive structural trends in our industry, including population growth, the increase of glasses wearers as a proportion of the population and the positive impact of an aging population on the product mix, will be able to compensate for the impact of these changes. Thus, in spite of these regulatory adjustments, we believe that the market will be generally stable in the coming years. We believe that the proposed changes, will reinforce the current consolidation trend in the market towards large banners like ours. Further, we believe that the reduction of the reimbursement cap on frames to €100 will generally make mid-range products, such as certain of our Afflelou frames that are typically priced around €99, more attractive to consumers.

## Spain

Spanish law does not regulate optical or hearing aid retail stores specifically, but rather they are considered to be health establishments and, accordingly, they are subject to a broad range of national and autonomous regional regulations regarding establishment, operation, registration, personnel and working practices, as well as regulations affecting the products sold in such stores. The general framework currently set out by national legislation has been further developed by regional legislation, which has established different technical and healthcare requirements for optical retail stores for the several autonomous regions, in order to guarantee the protection of optical health by implementing a

quality assurance system. The quality assurance system is a broad concept under Spanish law that refers to those aspects affecting the quality of all activities undertaken in optical retail stores.

### ***Regulations governing franchise operations in Spain***

In Spain, the legal framework that applies to franchise operations is Law 7/1996 of January 15, 1996 on the legal framework for retail trade, developed by Royal Decree 201/2010 of 26 February 2010. Pursuant to this decree, the franchise agreement must include the following elements: (i) rights to use a trademark or trade name by the franchisee; (ii) a uniform presentation of the points of sale; (iii) transfer of know-how from the franchisor to the franchisee; and (iv) technical or commercial assistance services to be provided by the franchisor to the franchisee.

#### The obligations of franchisees include:

- Registration in the national registry of franchisors, provided that the franchisor is operating in more than one autonomous region of Spain; and
- Within a period of 20 days prior to signing a franchise agreement, the franchisor must provide the prospective franchisee certain pre-contractual information.

The liability of the franchisor vis-à-vis third parties: such liability is restricted to the services and goods provided by the franchisor under the franchise agreement, and the franchisor will not be responsible for the actions of the franchisee, per Resolution 634/2021, February 23, 2021, of the Spanish Supreme Court.

### ***Regulations governing the Spanish optical and hearing aid products market***

#### *Access to the optometrist-optician and audio prosthetist professions*

In Spain, optometrist-opticians are holders of optical-optometry university degrees and are thus considered health professionals able to diagnose, treat (without the use of prescriptions) and advise on the prevention of visual deficiencies. Audio prosthetists must hold a Higher-Level Training Cycle (*Ciclo Formativo de Grado Superior*) in audio prosthetics in order to provide advice and assist customers with hearing aids.

#### *Sales of optical and hearing aid products*

Optical and hearing aid retail stores are considered health establishments and are regulated by Royal Decree 1277/2003, dated October 23, 2003. The Royal Decree is further complemented by regional regulations. Pursuant to such regional regulations, the owner of an optical or hearing aid retail store is required, among other things, to hold relevant administrative authorizations for the opening and operation of the premises. Autonomous regions will grant such administrative authorizations, provided that the applicant meets the personal and technical conditions required for the appropriate development of the activity. Such authorization must be renewed periodically, generally every five years. The owner or the legal representative of the optical retail store must apply with the relevant authorities for the renewal at least six months before the end of the validity of the authorization. In order to alter and relocate optical or hearing aid retail stores, the submission of an application to the relevant regional authorities is required. In addition, any store closing needs to be communicated to the relevant authorities. The owner of the store remains liable for the satisfaction and fulfillment of these obligations.

Optical stores must be managed by an optical-optometrist and hearing aid stores must be managed by a hearing aid professional, who will serve as the technical director and whose presence and performance throughout the opening hours is required. The technical director and other members of staff must wear a badge on their clothing identifying their name and professional category. For optical stores, the technical director is required to be registered with the National Association of Optician-Optometrists and hold a bachelor's degree in optometry or any other official degree recognized by law for the operation of optical retail stores. For hearing aid stores, the technical director is required to be a graduate of a degree in audio-prosthetics, audiology or have a degree in optometry plus have completed certain training and experience requirements in audio-prosthetics. The technical director of an optical store cannot work in more than one healthcare premise, whereas the technical director of a hearing aid store may, in certain autonomous regions, be permitted to work in more than one healthcare premise. Any changes or replacements of the technical director must be reported to the relevant administrative authority and may only be replaced by another professional with similar qualifications.

Facilities used as optical or hearing aid retail stores are required to be physically separated from any activity that differs from the activity of a healthcare facility and shall include the following areas: (i) a general public area; (ii) for optical stores, an optometric area for optometric functions; an assembly area; and a product storage area; and (iii) for hearing aid stores, a dedicated consultation space separate from the rest of the store or a soundproofed audiometry cabin in order to carry out such hearing exams. Optical retail stores shall have certain minimum equipment which may vary depending on whether edging of frames is carried out in conjunction with other stores.

#### *Prescription system*

In Spain, optometrist-opticians may prescribe optical products. Only ear, nose and throat specialists are authorized to prescribe hearing aid products and diagnose diseases, but audio prosthetists can adapt hearing aid products for customers. All optical retail stores must maintain and properly complete an optical prescription registry book that may be replaced by a computerized registration system provided that, every month, the results are recorded on paper. The personal data contained in the registry is subject to the protection guarantees set forth by Spanish data protection law, and handled with the same consideration as personal data relating to health. Registry entries will be supervised and signed by the technical director and made available to the health authorities for a period of five years.

Prescription glasses, prescription contact lenses and hearing aid instruments are considered medical devices. All medical devices sold in Spain must comply with CE marking. As medical devices they should be adapted to each person's needs, following the relevant prescription and any specific requirement provided by medical professionals. Due to their healthcare nature, such medical devices cannot be sold by mail order or online. However, recent case law has expressly allowed online sales of prescription glasses and contact lenses for "replacement products" where the client has sought the individual prescription elsewhere and is able to provide the clinical details to the online store, per a Spanish High Court Resolution 206/2017 on February 8, 2017 in relation to prescription glasses and the decision of the European Union Court of Justice in Case C-108/09 on December 2, 2010 in relation to contact lenses.

#### *Penalty regime*

Spanish law provides a specific penalty regime in case of non-compliance, either by action or omission, of the requirements and obligations set forth in relation to healthcare premises. Non-observance of the requirements may lead to fines, which may reach five times the value of the goods or services involved in the breach, as well as to the temporary closure of the premises or the termination of the provision of the relevant services until the problem is resolved.

#### *Spanish VAT rate applicable to optical products*

The reduced VAT rate of 10% currently applies to the sale of corrective lenses and contact lenses, frames and care solutions as well as hearing aid products. The standard VAT rate of 21% applies to the sale of sunglasses, cosmetic contact lenses, cases, and cords and chains.

#### ***Reimbursement of optical and hearing aid products in Spain***

Except for the entities covered by the regime of mutual insurance of public servants (*funcionarios*), the Spanish public health system generally does not cover expenditures in respect of optical or hearing aid products, except in certain exceptional and rare instances. Private health insurance companies may offer individual or collective vision care policies to cover expenses on optical and hearing aid products.

Optical or hearing aid expenses may be paid in full directly by the insurance company to the optical center, in case the services or products are purchased in an optical center with which the insurance company has entered into an agreement. In case the services or products are delivered in an optical or hearing aid center which is not affiliated with the insurance company, a percentage (50 to 90%) of the expenses incurred by the policyholder will be reimbursed to the policyholder by the insurance company.

## Management

The following is a summary of certain information concerning the Issuer's management, certain provisions of the Issuer's bylaws and French law regarding corporate governance. This summary is qualified in its entirety by reference to the bylaws of the Issuer and French law and it does not purport to be complete.

### The Issuer

The Issuer is the principal holding company of the Group and was established on April 20, 2012. The Issuer is organized as a *société par actions simplifiée* under the laws of France. The Issuer is registered in France under sole identification number 751 095 712 R.C.S. Paris. The Issuer's registered office and principal business address is 11, rue d'Argenson 75008 Paris, France.

The Issuer is managed by a Board of Directors (*Conseil d'Administration*) which, within the limits prescribed by French law, has the power to delegate its general authority to a president (*président*) or certain managing directors (*directeurs généraux délégués*) which can be natural or legal persons. The president and managing directors provide general management of the Issuer, save for such functions and powers reserved by law or the Issuer's bylaws (*statuts*) to the Board of Directors or the shareholders, including certain decisions requiring prior shareholders' approval in accordance with the Issuer's bylaws.

As of the date of this Offering Memorandum, the Board of Directors has nine members. Its members are appointed by shareholders of the Issuer for a period of six years, renewable at the approval of the shareholders.

The following table sets forth the current members of the Board of Directors of the Issuer as of the date of this Offering Memorandum:

Name	Position(s)
Mrs. Rachel Marouani .....	Non-Executive Chairperson
Mr. Alain Afflelou .....	Member
Mr. Lyndon Lea.....	Member
Mr. Maurice Tchenio .....	Member
Mr. Michel Lamboley .....	Member
Lion / Seneca Lux 2 S.A.....	Member
Mr. Simon Brown .....	Member
Mr. Amaury Leyre .....	Member
Mr. Graham Tester.....	Member

Set forth below is certain biographical information relating to the current members of the Issuer's Board of Directors. Lion / Seneca Lux 2 is represented by any of Messrs. Lea, Tchenio, Lamboley, Brown, Leyre or Tester.

**Rachel Marouani** is the Non-Executive Chairperson of the Board of Directors of the Issuer. She started her career in 1994 at Alain Afflelou. In 1997, she joined Frantour as Marketing Director and within the Accor Group she became Direct Sales Director of Accor Leisure and Tourism in 2000 and Marketing and Business Development Director of Accor Web. In 2005, she joined the LVMH Group at Sephora, where she held several senior positions before being appointed Marketing Director and E-commerce General Manager of Sephora. She has been elected "E-commerce "man" of 2009" by her peers. Rachel was CEO of FRED Jewelry from 2012 to 2017 and CEO of Make Up For Ever from 2017 to 2019. She has been awarded the French Government "Médaille nationale du mérite" for her contribution to commerce and holds a masters degree in Marketing from ESSEC Business School and graduated from CELSA in Marketing Management.

**Alain Afflelou** is a member of the Board of Directors of the Issuer. Mr. Afflelou is the Group's founder. He established the Group in 1972 in Bouscat, in the Bordeaux region of France, where he opened the



Group's first sales point under the name Optica. Mr. Afflelou holds a diploma from the *École Supérieure d'Optométrie* in Paris.

**Lyndon Lea** is a member of the Board of Directors of the Issuer. He is a founder of Lion Capital and has served as its Managing Partner since its inception in 2004. Prior to founding Lion Capital, Mr. Lea was a partner of Hicks, Muse, Tate & Furst where he co-founded its European operations in 1998. From 1994 to 1998, Mr. Lea served at Glenisla, the former European affiliate of Kohlberg Kravis Roberts & Co., prior to which he was an investment banker at Schrodgers in London and Goldman Sachs in New York. Mr. Lea graduated with a B.A. in Honors Business Administration from the University of Western Ontario in Canada in 1990.

**Maurice Tchenio** is a member of the Board of Directors of the Issuer. He is Chairman of Altamir Gérance, and Chairman and CEO of Amboise Partners SA and the AlphaOmega Foundation. He began his career as an assistant professor of finance at HEC, before becoming project leader at the Institut de Développement Industriel (IDI, Paris), an investment bank specializing in equity investments. In 1972, he founded Apax Partners with Ronald Cohen and Alan Patricof. Today, Apax Partners is a global private equity leader. From 1972 to 2010, he was the Chairman and CEO of Apax Partners SA, the Group's French arm. In 1995, he created Altamir, a listed private equity company. In 2010, he created AlphaOmega, a venture philanthropy foundation recognized for its public interest. He is the co-founder of AFIC (Association Française des Investisseurs pour la Croissance), which became France Invest in 2018, and is the former director of EVCA (European Private Equity and Venture Capital Association, now Invest Europe). Mr. Tchenio has degrees from HEC and Harvard Business School, where he was a Baker Scholar and graduated with high distinction.

**Michel Lamboley** member of the Board of Directors of the Issuer. Mr. Lamboley is currently serving as the executive vice president and chief financial officer of the Keolis Group. Prior to joining Keolis in 2004, Mr. Lamboley was deputy chief financial officer and financial manager of the Jean-Claude Decaux Group. Mr. Lamboley is a chartered accountant.

**Simon Brown** is a member of the Board of Directors of the Issuer. He currently serves as chief operating officer at Lion Capital LLP, a position he has held since 2015. Prior to joining Lion Capital LLP, Mr. Brown served as chief operating officer and chief financial officer of private equity firms Equistone and Cognetas. He has also served as chief operating officer of Lord Rothschild's family office and finance director of law firm Lawrence Graham. He is a graduate of the University of Exeter and a member of the Institute of Chartered Accountants.

**Amaury Leyre** is a member of the Board of Directors of the Issuer. He is an Associate at Lion Capital LLP where he has worked since November 2019. Prior to joining Lion Capital, Mr. Leyre worked at Morgan Stanley in London as an investment banker, where he focused on the consumer and retail sector. He holds a masters' degree in finance from ESSEC and a masters' degree in management from Audencia Business School.

**Graham Tester** is a member of the Board of Directors of the Issuer. Mr. Tester joined Lion Capital LLP in 2010 and currently serves as Lion Capital LLP's Finance Director, a position he has held since 2018. Prior to joining Lion Capital LLP, Mr. Tester worked for five years in the finance and investor relations teams of Montagu Private Equity LLP. Mr. Tester is a Fellow of the Association of Chartered Certified Accountants.

## Executive Committee

The following sets forth the members of the Executive Committee of the Issuer.

Our prior chief executive officer resigned in 2020, and we currently have an acting chief executive officer until a new permanent chief executive officer is found. We are currently in the process of searching for and evaluating potential candidates to fill the role of permanent chief executive officer. We hope to conclude this process in the coming weeks or months.

Name	Position
Mr. Tarek Hosni.....	Acting Chief Executive Officer
Mr. Laurent Afflelou .....	Director, Development (France)
Mr. André Verneyre .....	Director, Financing and Investor Relations
Mr. Laurent Duquesne .....	Financial Director
Mr. Frédéric Franceschi .....	Director, Legal
Mr. Lionel Afflelou .....	Director, Trading
Mr. Olivier Henry .....	Director, French optical network
Ms. Eva Ivars .....	Director, Spanish network
Ms. Anna Bordes.....	Chief Executive Director, Optical Discount
Mr. Anthony Afflelou .....	Director of Marketing and Communication
Ms. Benedicte Chalumeau Vignon .....	Director, Communications
Ms. Vanessa Mauree .....	Director, Human Resources and Internal Communication
Mr. Loic Bocher .....	Chief Digital Officer

Set forth below is certain biographical information relating to the members of our senior management as of the date of this Offering Memorandum.

**Tarek Hosni** is the acting Chief Executive Officer of the Group. Mr. Hosni is also a Managing Director at Alvarez & Marsal. Mr. Hosni represents Royale Advisory Limited, an A&M company, and acts as Chief Executive Officer of the Group. Mr. Hosni brings 35 years of change management experience in France and Europe. Mr. Hosni has held C-Suite roles including CEO of many companies in France, such as Giraud International, Atys France and Guerlain, where he achieved the integration of the company within the LVMH Group, restructured the new product development process to speed the time to market and enhance quality, outsourced logistics and implemented a lean manufacturing program. He recently held a position in retail as CEO of C&A France from 2016 to 2018. Mr. Hosni began his career as a Consultant with Arthur Andersen after a degree from Institut d'Etudes Politiques de Paris and Université Paris 2 Assas, where he obtained a LL.M. in private law. Mr. Hosni is also an Expert Comptable Diplômé (French Chartered Professional Accountant).

**Laurent Afflelou** is the Director of Development for France. Mr. Afflelou joined the Group in 1997 and was the Director of Development for Belgium. Mr. Afflelou holds a degree in business law from the University of Paris-Sorbonne.

**André Verneyre** is Director of Financial Operations (Financing and Investor Relations). Prior to joining the Group, Mr. Verneyre held various positions in Corporate Banking and Equity Capital Markets at LCL Crédit Lyonnais. Mr. Verneyre graduated with a Finance degree from the University of Lyon.

**Laurent Duquesne** is the Financial Director. Prior to joining the Group, Mr. Duquesne spent five years as Management Accountant at OMS Manutention, a leading French company in forklift solutions. Mr. Duquesne graduated in audit and accounting from the Universities of Paris and Bordeaux.

**Frédéric Franceschi** is the Legal Director. He joined the Group in 2004 and previously served as legal director at Gifi. He holds a law degree from the University of Paris (Panthéon-Sorbonne).

**Lionel Afflelou** is the Director of Trading. Mr. Afflelou joined the Group in 1997 and held various positions, including as director of our directly-owned stores from 2000 to 2004. Mr. Afflelou is a qualified optician and received his degree from the *Institut Supérieur d'Optique* in Paris.

**Olivier Henry** is the Director of the Group's directly-owned store network and Director of the French optical network. Prior to joining the Group in 2015, he was director of operations for Générale d'Optique (part of GrandVision). He holds a master's degree from Paris-Dauphine University.

**Eva Ivars** is the Director of the Spanish network. Prior to joining the Group in 2005, Ms. Ivars worked as accounts manager at Publicis Advertising Iberia and before that at Grey Advertising, Spain. Ms. Ivars completed a bachelor's and master's degree in marketing, advertising and public relations from the Complutense University of Madrid.

**Anna Bordes** is the Chief Executive Officer of Optical Discount. Prior to joining the Group in 2019, Ms. Bordes was a consultant at BearingPoint. Prior to that, Ms. Bordes was the marketing and development director for Groupe All for four years, an optical purchasing company. Prior to that, Ms. Bordes held several managing positions at Amazon Retail. Ms. Bordes holds a master's degree of strategy and management from ESCP Business School (École Supérieure de Commerce de Paris).

**Anthony Afflelou** is the Director of Marketing and Communication. Prior to joining the Group in 2015, Mr. Afflelou held several positions in international sales, digital transformation and marketing. Mr. Afflelou graduated from École Supérieure de Commerce de Bordeaux (Bordeaux Business School).

**Bénédicte Chalumeau Vignon** is the Director of Communications of the Group. Prior to joining the Group in 2016, Ms. Vignon was an associate director in various communications and advertising agencies, where she worked for 18 years. Prior to these positions, Ms. Vignon was a marketing manager in London. Ms. Vignon holds a master's degree from the International Business School of Management (ISG).

**Vanessa Mauree** has been the Group's Director of Human Resources and Internal Communication for ten years. Prior to joining the Group, Ms. Mauree held several positions as director of human resources. From 2010 to 2011, Ms. Mauree was the director of human resources of IDGroup, in charge of Oxybul Eveil et Jeux. From 2007 to 2010, Ms. Mauree was the Director of human resources of Générale de Santé. Prior to this role, Ms. Mauree was in charge of human resources of Parthenos group from 2004 to 2007. Ms. Mauree holds a master's degree in human resources from the Institut des Ressources Humaines de Paris (IRH Paris) and a postgraduate degree in labor sociology from the Université de Paris X.

**Loïc Bocher** has been the Group's Chief Digital Officer since 2019. Mr. Bocher started his career in the consulting department of Ernst & Young. Prior to joining the Group, Mr. Bocher cofounded and was the managing director of Collector Square, an e-commerce company in the second-hand luxury market. Mr. Bocher graduated from the École Supérieure de Commerce de Tours (SupDeCo Tours).

## Principal Shareholders and Related Party Transactions

### Principal shareholders

The beneficial ownership of the share capital of the Issuer is as follows (in each case, through one or more holding entities):

- Lion Capital, together with other Lion co-investors: approximately 40.5%;
- CDPQ, together with the funds it advises or manages: approximately 30.8%;
- Amboise Partners, together with minority co-investors: approximately 14.5%; and
- Mr. Alain Afflelou and his family: approximately 14.2%.

Lion Capital is a consumer-focused investor passionate about driving growth through strong brands. With offices in London and the United States, the firm's principals have invested over \$9.3 billion in over 50 businesses and more than 180 consumer brands across Europe and North America. Lion's focus on market-leading consumer-facing companies has led to investments in such well-known brands as AllSaints, a global contemporary fashion company; Grenade, a market leading sports performance and active nutrition brand; Jimmy Choo, a worldwide luxury accessories brand; Kettle Foods, a leading global producer of all-natural snacking products; Loungers, a fast-growing UK chain of informal all-day neighborhood café-bars; wagamama, the UK's leading chain of pan-Asian inspired noodle restaurants and Weetabix, a leading branded manufacturer of ready-to-eat cereals and cereal bars in the United Kingdom.

Established in 1965, Caisse de Dépôt et Placement du Québec ("**CDPQ**") is an institutional investor that mainly manages fund assets from Quebec retirement funds and public and private insurance. As of December 31, 2020, its net assets total CAD \$365 billion. CDPQ is one of the leading institutional investment managers in Canada.

Amboise Partners SA ("**Amboise Partners**") is the management company of the FPCI Aho20 and the investment advisor of Altamir, both having been shareholders of the Group since 2010. Altamir is a listed private equity company (Euronext Paris – B, ticker: LTA) founded in 1995 by Maurice Tchenio. It is majority-owned by Amboise, a *société par actions simplifiée* organized under the laws of France, which is wholly owned by Maurice Tchenio and members of his family. Its objective is to provide shareholders with long-term capital appreciation and regular dividends by investing in a diversified portfolio of fast-growing companies. Altamir's primary investment policy is to invest via and with the funds managed or advised by Apax Partners S.A.S. and Apax Partners LLP. However, Altamir is an independent entity from such firms. As of December 31, 2020, its portfolio, on a look-through basis, comprised 55 companies with a fair market value of €1.27 billion. Altamir operates in a number of sectors, including technology, media, telecommunication consumer, healthcare and services. Amboise Partners advised Altamir on the reorganization of THOM Group's capital structure, which included the successful raising of €620 million high yield debt in January 2021.

### Related party transactions

From time to time in the ordinary course of our business activities, we enter into agreements with certain related parties, certain of which are described below. For further information, see note 6.7.1 to the Issuer's consolidated financial statements for the fiscal years ended July 31, 2018, 2019 and 2020 included elsewhere in this Offering Memorandum.

### Shareholder Bonds

See "*Description of Certain Other Indebtedness and Other Arrangements—Shareholder Bonds*".

## Description of Certain Other Indebtedness and Other Arrangements

*The following is a summary of the material terms of our principal financing arrangements in addition to the Indentures. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements. Capitalized terms used in the following respective summaries and not otherwise defined in this Offering Memorandum have the meanings ascribed to them in their respective agreements.*

### New Revolving Credit Facility

#### Overview and structure

The Issuer, the Issue Date Guarantors, Morgan Stanley Bank AG, Crédit Agricole Corporate and Investment Bank and BNP Paribas, as arrangers (the "**Arrangers**"), Crédit Agricole Corporate and Investment Bank, as agent (the "**Facility Agent**") and U.S. Bank Trustees Limited, as security agent (the "**Security Agent**"), among others, will enter into a new €30.0 million super senior revolving credit facility agreement dated on or prior to the Issue Date (the "**New Revolving Credit Facility Agreement**"). The Post-Issue Date Guarantors will accede to the New Revolving Credit Facility Agreement within 60 days from the Issue Date.

The new revolving credit facility to be made available under the New Revolving Credit Facility Agreement (the "**New Revolving Credit Facility**") may be utilized by any current or future borrower under the New Revolving Credit Facility Agreement in euro or any other readily available currency approved by the Facility Agent (acting on the instructions of all the lenders) by the drawing of cash advances or the issue of letters of credit and ancillary facilities. The New Revolving Credit Facility may be applied towards the financing or refinancing of any permitted acquisition, permitted reorganization, capital expenditure or the working capital and general corporate purposes of the Restricted Group (being the Issuer and its restricted subsidiaries).

In addition, the Issuer may elect to request additional commitments under the New Revolving Credit Facility Agreement (the "**Additional Increase**"). The total amount of such indebtedness that may be incurred by way of Additional Increase shall not exceed €20.0 million, subject to certain conditions (thereby increasing the total commitments to up to €50.0 million (in aggregate)). The Issuer and the lenders may agree to certain terms in relation to the Additional Increase, including the margin (subject to parameters as set out in the New Revolving Credit Facility Agreement). Each Guarantor unconditionally guarantees the obligations of the borrowers and each other guarantor under the New Revolving Credit Facility Agreement subject to certain limitations set out therein.

The New Revolving Credit Facility may be utilized from the Issue Date until the date falling one month prior to the maturity date of the New Revolving Credit Facility.

#### Interest and fees

Loans under the New Revolving Credit Facility Agreement will bear interest at rates per annum equal to EURIBOR (provided that EURIBOR shall never be less than zero), plus an initial margin of 3.00% per annum, which may be reduced by reference to the Consolidated Net Leverage Ratio. The margin on any loans under an Additional Increase will be agreed between the Issuer and the relevant lenders (subject to the parameters as set out in the New Revolving Credit Facility Agreement).

Default interest is calculated as an additional 1% per annum on the overdue amount.

A commitment fee is payable on the aggregate undrawn and uncanceled amount of the New Revolving Credit Facility from the Issue Date to the end of the availability period for the New Revolving Credit Facility at a rate of 30% of the applicable margin for the New Revolving Credit Facility. The commitment fee is payable quarterly in arrears, on the last day of availability of the New Revolving Credit Facility and on the date the New Revolving Credit Facility is cancelled in full or on the date on which the cancellation is effective. The commitment fee in respect of any Additional Increase shall be agreed between the Issuer and the relevant lenders (subject to the parameters as set out in the New Revolving Credit Facility Agreement).

The Issuer is also required to pay customary agency fees to the Facility Agent and the Security Agent and an arrangement fee to the Arrangers in connection with the New Revolving Credit Facility.

## **Repayments**

Each advance will be repaid on the last day of the interest period relating thereto, subject to a netting mechanism against amounts to be drawn on such date. All outstanding amounts under the New Revolving Credit Facility will be repaid on the maturity date which is the date falling 54 months after the Issue Date. Amounts repaid by the borrowers on loans made under the New Revolving Credit Facility may be reborrowed during the availability period of the facility, subject to certain conditions.

## **Voluntary and mandatory prepayments**

Subject to certain conditions, the borrowers may voluntarily prepay their utilizations or permanently cancel all or part of the available commitments under the New Revolving Credit Facility (subject to *de minimis* amounts) by giving five business days' prior written notice to the Agent. Amounts prepaid or repaid may (subject to the terms of the New Revolving Credit Facility Agreement) be re-borrowed.

In addition to any voluntary prepayments, the New Revolving Credit Facility Agreement requires mandatory prepayment in full or in part in certain circumstances, and if applicable, cancellation, including (subject to certain conditions):

- (1) with respect to any lender, if it becomes unlawful for such lender to perform any of its obligations under the New Revolving Credit Facility;
- (2) following the occurrence of a "Change of Control" (as defined in the New Revolving Credit Facility Agreement) which, in relation to a "Note Change of Control", means a Change of Control Triggering Event (each as defined in the New Revolving Credit Facility Agreement); and
- (3) upon a sale of all or substantially all of the assets of the Restricted Group, whether in a single transaction or a series of related transactions, whereupon the New Revolving Credit Facility will be cancelled and all amounts outstanding under the New Revolving Credit Facility Agreement will become immediately due and payable.

## **Guarantees**

The Guarantors will provide a senior guarantee of all amounts payable to the finance parties under the New Revolving Credit Facility Agreement, subject to limitations imposed by applicable law and certain of the Agreed Security Principles.

The New Revolving Credit Facility Agreement requires that (subject to the Agreed Security Principles) certain subsidiaries of the Issuer together with each member of the Restricted Group that is or becomes a Material Company (which definition includes, among other things, any member of the Restricted Group incorporated in France that has earnings before interest, tax, depreciation and amortization representing 5% or more of Consolidated EBITDA (as defined in the New Revolving Credit Facility Agreement) following the Issue Date, holding companies of Material Companies which are members of the Restricted Group, all borrowers under the New Revolving Credit Facility Agreement, any holding company of such borrowers which is a member of the Restricted Group and any member of the Restricted Group that is or becomes a guarantor in respect of the Notes or certain other senior secured debt will be required to become a guarantor under the New Revolving Credit Facility Agreement within the time period specified therein.

Furthermore, the Issuer shall ensure that at all times the Guarantors (as defined in the New Revolving Credit Facility Agreement) represent not less than 80% of each of the Consolidated EBITDA (as defined in the New Revolving Credit Facility Agreement) of the Restricted Group (subject to certain exceptions).

The New Revolving Credit Facility Agreement will contain customary guarantee limitation provisions for French and Luxembourg guarantors and, in particular, will provide that the guarantee of any French Guarantor under the New Revolving Credit Facility Agreement (i) will be subject to certain limitations arising under or imposed by French law (including those that relate to financial assistance, corporate purpose or benefit, capital maintenance or similar laws) and (ii) shall apply only insofar as it (A) guarantees the payment obligations under the Finance Documents of its direct or indirect Subsidiaries which are or become Borrowers (as defined in the New Revolving Credit Facility Agreement) from time to time under the New Revolving Credit Facility Agreement and incurred by those Subsidiaries as Borrowers (if they are not French Obligors) or as Borrowers and/or Guarantors (if they are French Obligors) and (B) guarantees the payment obligations of each other Obligor which is not its direct or

indirect Subsidiary, provided that in such case the quantum of such guarantee obligations shall be limited.

### **Security**

The New Revolving Credit Facility is secured by the same collateral as the Notes; however, holders of the Notes will receive proceeds from enforcement of such collateral and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the New Revolving Credit Facility and certain hedging obligations, have been repaid in full. The New Revolving Credit Facility is also secured by certain assets of various subsidiaries of the Issuer, subject to the Agreed Security Principles.

### **Representations and warranties**

The New Revolving Credit Facility Agreement contains certain customary representations and warranties (subject to certain exceptions and qualifications and with certain representations and warranties being repeated), including status and incorporation, binding obligations, non-conflict with constitutional documents, laws or other obligations, power and authority, validity and admissibility in evidence, governing law and enforcement, insolvency, no filing or stamp taxes, no default, no misleading information, financial statements, no litigations, no breach of laws, compliance with environmental laws, taxation, security and indebtedness, ranking, good title to assets, shares, intellectual property, group structure charts, U.S. margin regulations, center of main interests, pensions, holding companies, sanctions and deduction of tax.

### **Covenants**

The New Revolving Credit Facility Agreement contains certain of the incurrence covenants and related definitions (with certain adjustments and exceptions) that are set forth in the Indenture. In addition, the New Revolving Credit Facility Agreement contains a financial covenant (see "*Financial covenant*").

The New Revolving Credit Facility Agreement also contains a "notes purchase condition" covenant. Subject to certain exceptions set out in the New Revolving Credit Facility Agreement, the Issuer may not, and shall procure that no other member of the Restricted Group will, repay, prepay, purchase, defease, redeem or otherwise directly or indirectly acquire or retire the principal amount of the Senior Secured Notes (or, in each case, any replacement or refinancing thereof as permitted under the New Revolving Credit Facility Agreement from time to time) prior to its scheduled maturity date in a manner which involves the payment of cash consideration to a person which is not a member of the Restricted Group. The exceptions to such covenant include (among other things) payments that do not exceed 50% of the aggregate original principal amount of the Senior Secured Notes as at the Issue Date.

The New Revolving Credit Facility Agreement also requires certain members of the Restricted Group to observe certain affirmative covenants, including covenants relating to maintenance of guarantor and security coverage, further assurances, maintenance of authorizations, compliance with laws and sanctions, taxation, change of business, restrictions on holdings companies, preservation of assets, acquisitions, *pari passu* ranking, insurance, pensions, access, intellectual property, unrestricted subsidiaries and center of main interests.

The New Revolving Credit Facility contains an information covenant under which, among other things, the Issuer is required to deliver to the Facility Agent annual financial statements, quarterly financial statements, compliance certificates and an annual budget.

### **Financial covenant**

The New Revolving Credit Facility Agreement requires the Issuer to maintain a minimum EBITDA (as defined in the New Revolving Credit Facility Agreement) of €58 million if, at 5 p.m. Paris time on the last day of the relevant measurement period, the aggregate amount of all outstanding utilizations under the New Revolving Credit Facility, any ancillary facility outstanding, and any amounts outstanding under letters of credit, exceed 40% of the total commitments under the New Revolving Credit Facility Agreement at that time.

The Issuer is permitted to prevent or cure breaches of the minimum EBITDA (as defined in the New Revolving Credit Facility Agreement) covenant by amongst other things applying any cure amount (being amounts received by the Issuer in cash pursuant to any new equity or permitted shareholder loan) in prepayment of the New Revolving Credit Facility such that the aggregate amount of all outstanding utilizations under the New Revolving Credit Facility, any ancillary facility outstandings, and any amounts outstanding under letters of credit are at most 40% of the total commitments under the

New Revolving Credit Facility Agreement at that time. No more than three cure amounts may be taken into account during the term of the New Revolving Credit Facility and not in consecutive quarters.

### **Events of default**

In addition, the New Revolving Credit Facility contains, amongst others, the following events of default (subject in certain cases to customary grace periods, materiality thresholds and exceptions):

- non-payment;
- breach of the financial covenant (subject to equity cure rights);
- breach of other obligations;
- inaccuracy of a representation or statement when made;
- cross-default on financial indebtedness (subject to a €5,000,000 threshold);
- occurrence of an event of default in relation to the Notes;
- insolvency and insolvency proceedings consistent with equivalent provisions in the Indenture;
- cessation of business;
- unlawfulness, repudiation, rescission, invalidity or unenforceability of the finance documents entered into in connection with the New Revolving Credit Facility;
- breach of the terms of the New Intercreditor Agreement by any member of the Restricted Group, a borrower or a Guarantor;
- audit qualifications;
- expropriation;
- repudiation and rescission of agreements;
- litigation; or
- an event or circumstance occurs which has a material adverse effect on the Issuer's and the Guarantors' ability to perform their payment obligations under the New Revolving Credit Facility and the Notes (or, in each case, any refinancing thereof).

### **Governing law**

The New Revolving Credit Facility is governed by and construed in accordance with English law although the covenants and certain events of default, which are included in the New Revolving Credit Facility and largely replicate those contained in the Indenture, will be interpreted in accordance with New York law (without prejudice to the fact that the New Revolving Credit Facility is governed by English law).

### **New Intercreditor Agreement**

In connection with entering into the New Revolving Credit Facility and the Indenture, the Issuer, Lion /Seneca Lux 2 S.A., Holding AA-OC, Holding AA & Fils, the Issue Date Guarantors and certain other subsidiaries of the Issuer and certain other entities will enter into the New Intercreditor Agreement to govern the relationships and relative priorities among: (i) the lenders under the New Revolving Credit Facility (the "**Revolving Lenders**"); (ii) any persons that accede to the New Intercreditor Agreement as counterparties to certain hedging agreements (collectively, the "**Hedging Agreements**" and any persons that accede to the New Intercreditor Agreement as counterparties to such Hedging Agreements being referred to in such capacity as the "**Hedge Counterparties**"); any cash management bank in respect of cash management liabilities which are permitted under the Super Senior Debt Documents and the Senior Secured Notes Documents to be secured by the Transaction Security (each as defined below) (the "**Cash Management Provider**"); (iv) the Trustee, on its own behalf and on behalf of the holders of the Senior Secured Notes (the "**Senior Secured Noteholders**") (in such capacity, the "**Senior Secured Notes Trustee**") and the Trustee, on its own behalf and on behalf of the holders of the Senior Subordinated Notes (the "**Senior Subordinated Noteholders**") (in such capacity, the "**Senior Subordinated Notes Trustee**"); (v) certain intra-group creditors and debtors (vi) certain direct or indirect shareholders of the Issuer in respect of certain debt that the Issuer has incurred or may incur



in the future (including any subordinated shareholder loans) and (vii) the creditors of certain debt incurred by a holding company of the Issuer (the "**Senior Debt Creditors**").

In this description:

- "**Debt Documents**" means each of:
  - the New Intercreditor Agreement;
  - at the option of the Issuer, any master agreement, confirmation, schedule, spot or forward delivery foreign exchange contract or other agreement entered into by a Debtor and a Hedge Counterparty for the purposes of hedging any interest rate, foreign exchange or other exposures;
  - the Cash Management Arrangements;
  - the Super Senior Debt Documents and any other agreement pursuant to which loans or other forms of credit are made available or notes or other debt securities are issued with the same priority and payment and security ranking as the Super Senior Debt Creditor Liabilities;
  - the Senior Secured Notes Indenture and any other indenture, agreement, document or instrument pursuant to which the Senior Secured Notes are issued (or any guarantees are given) in accordance with the New Intercreditor Agreement, any Transaction Security or guarantees for the benefit of the Senior Secured Notes Liabilities and the New Intercreditor Agreement;
  - the Pari Passu Debt Documents;
  - the Second Lien Debt Documents, including the Senior Subordinated Notes;
  - the Senior Debt Documents;
  - the Transaction Security Documents and any other document entered into at any time by any of the Debtors creating any guarantee, indemnity, security or other assurance against financial loss in favor of any of the Secured Parties as security for any of the secured obligations and any security granted by a member of the Group to the Secured Parties under any covenant for further assurance in any of such documents (collectively, the "**Security Documents**"); and
  - any agreement evidencing the terms of the Intra-Group Liabilities or Subordinated Liabilities,

(each capitalized term as defined below) and any other document designated as such by the Security Agent and the Issuer;

- "**Group**" refers to the Issuer and its restricted subsidiaries from time to time;
- "**Investment Instruments**" refers to shares of any class, warrants, loans, bonds or other equity or debt instruments (including preferred equity certificates and convertible preferred equity certificates) issued by an entity;
- the Issuer, 3AB Optique Développement, Alain Afflelou Franchiseur and any person which becomes a party to the New Intercreditor Agreement as a Debtor is referred to as a "**Debtor**" and are collectively referred to as the "**Debtors**".

The New Intercreditor Agreement will set forth:

- (a) the relative ranking of certain indebtedness of the Debtors;
- (b) the relative ranking of certain security granted by the Debtors;
- (c) when payments can be made in respect of certain indebtedness of the Debtors;
- (d) when enforcement actions can be taken in respect of that indebtedness;
- (e) the terms pursuant to which that indebtedness will be subordinated upon the occurrence of certain insolvency events;

- (f) turnover provisions; and
- (g) when security and guarantees will be released to permit a sale or disposal of, or foreclosure in respect of, any assets subject to transaction security (such assets, the "Collateral", such security, the **"Transaction Security"** and the documents creating or evidencing such security the **"Transaction Security Documents"**)).

The New Intercreditor Agreement will contain provisions relating to future indebtedness that may be incurred by the Debtors (that is not subordinated in right of payment to any Super Senior Liabilities or Senior Secured Notes Liabilities (each as defined below)) in respect of any loan, credit or debt facility, notes, indenture or security which are permitted or not prohibited, under the terms of the Senior Secured Notes Finance Documents, the Pari Passu Debt Documents, the Second Lien Debt Documents and the Super Senior Debt Facility Documents (each as defined below), to share in the Transaction Security with the rights and obligations of super senior creditors as provided for in the New Intercreditor Agreement (such indebtedness being the **"Super Senior Debt"**, the creditors in respect of such indebtedness being the **"Super Senior Debt Creditors"**, the liabilities of the Debtors in respect of such indebtedness being the **"Super Senior Debt Liabilities"** and the documents under which such Super Senior Debt is incurred being the **"Super Senior Debt Documents"**).

The New Intercreditor Agreement will contain provisions relating to future indebtedness that may be incurred by the Debtors (that is subordinated in right of payment to any Super Senior Liabilities or Senior Secured Notes Liabilities (each as defined below)) in respect of any loan, credit or debt facility, notes, indenture or security which are permitted or not prohibited, under the terms of the Senior Secured Notes Finance Documents, the Pari Passu Debt Documents, the Second Lien Debt Documents and the Super Senior Debt Facility Documents (each as defined below), to share in the Transaction Security with the rights and obligations of second lien debt creditors as provided for in the New Intercreditor Agreement (such indebtedness, including the Senior Subordinated Notes, being the **"Second Lien Debt"**, the creditors in respect of such indebtedness, including the Senior Subordinated Noteholders, being the **"Second Lien Debt Creditors"**, the liabilities of the Debtors in respect of such indebtedness being the **"Second Lien Debt Liabilities"** and the documents under which such Second Lien Debt is incurred being the **"Second Lien Debt Documents"**).

The New Intercreditor Agreement will contain provisions relating to future indebtedness that may be incurred by the Debtors in respect of any loan, credit or debt facility, notes, indenture or security which are permitted or not prohibited, under the terms of the Senior Secured Notes Finance Documents, the Pari Passu Debt Documents, the Second Lien Debt Documents and the Super Senior Debt Facility Documents (each as defined below), to share in the Transaction Security with the rights and obligations of *pari passu* creditors as provided for in the New Intercreditor Agreement (such indebtedness being the **"Senior Debt"**, the creditors in respect of such indebtedness being the **"Senior Debt Creditors"**, the liabilities of the Debtors in respect of such indebtedness being the **"Senior Debt Liabilities"** and the documents under which such Senior Debt is incurred being the **"Senior Debt Documents"**).

Unless expressly stated otherwise in the New Intercreditor Agreement, in the event of a conflict between the terms of the New Revolving Credit Facility Agreement or any other Super Senior Debt Document, the Senior Secured Notes Indenture, any other indenture under which senior secured notes are issued, the Pari Passu Debt Documents, the Second Lien Debt Documents or the Senior Debt Documents, the provisions of the New Intercreditor Agreement will prevail (save to the extent that to do so would result in or have the effect of any Debtor or member of the Group contravening any applicable law or regulation, or present a material risk of liability for any Debtor or member of the Group and/or its directors or officers, or give rise to a material risk of breach of fiduciary or statutory duties).

By purchasing a Note, holders of the Notes shall be deemed to have agreed to, and accepted the terms and conditions of, the New Intercreditor Agreement.

The following description is a summary of certain provisions contained in the New Intercreditor Agreement. It does not restate the New Intercreditor Agreement and you are advised to read that document in its entirety because it, and not the discussion that follows, defines certain rights of the holders of the Senior Secured Notes and the Senior Subordinated Notes.

### ***Ranking and priority***

The New Intercreditor Agreement will provide that (i) the liabilities of the Debtors under or with respect to the New Revolving Credit Facility Agreement and any other Super Senior Debt Liabilities, (ii) the Hedging Agreements (the **"Hedging Liabilities"**, *provided* that, where such Hedging Liabilities relate

to (a) the hedging of any floating interest rate exposure associated with the Super Senior Debt, the Senior Secured Notes or any other senior secured notes, any Pari Passu Debt, Second Lien Debt or Senior Debt and (b) up to €5,000,000 in aggregate of (x) non-speculative operational hedging and (y) foreign exchange hedging associated with the Super Senior Debt, the Senior Secured Notes or any other senior secured notes, any Pari Passu Debt, Super Senior Debt, such liabilities are "**Priority Hedging Liabilities**" and, together with the Super Senior Debt, "**Super Senior Liabilities**" for the purposes of the New Intercreditor Agreement, and all other Hedging Liabilities are "Non Priority Hedging Liabilities" for the purposes of the New Intercreditor Agreement), (iii) the liabilities of the Issuer and the Debtors in respect of the Senior Secured Notes and any other senior secured notes (the "**Senior Secured Notes Liabilities**" and the finance documents relating to such liabilities "**Senior Secured Notes Finance Documents**"), (iv) the Pari Passu Debt Liabilities (together with the Senior Secured Notes Liabilities and the Non Priority Hedging Liabilities, the "**Senior Secured Liabilities**"), (v) the Second Lien Debt liabilities, (vi) the Senior Debt Liabilities, (vii) the liabilities of the Debtors under guarantees (the "**Senior Debt Guarantees**") in respect of the Senior Debt (the "**Senior Debt Guarantee Liabilities**"), and (viii) certain other unsecured liabilities will rank in right and priority of payment in the following order:

in respect of liabilities owed by the Debtors to the Primary Creditors (as defined below):

- first, the Super Senior Debt Liabilities, the Priority Hedging Liabilities, the Non Priority Hedging Liabilities, the Senior Secured Notes Liabilities, the Pari Passu Debt Liabilities, the liabilities owed to the Security Agent, the Trustee Amounts (as defined below), the Pari Passu Debt Representative Amounts (as defined below), the Second Lien Debt Representative Amounts (as defined below) and the Senior Debt Representative Amounts (as defined below) *pari passu* and without any preference between them;
- second the Second Lien Debt Liabilities; and
- third, the Senior Debt Guarantee Liabilities.

The Transaction Security (to the extent it is expressed to secure the relevant liabilities) will rank and secure the following liabilities in the following order:

- first, the liabilities owed to the Security Agent, the liabilities owed to each trustee in respect of Senior Secured Notes (including the Senior Secured Notes Trustee) or any other senior secured notes or any other trustee in respect of Liabilities in the form of notes or other debt securities (including the Senior Subordinated Notes Trustee) (the "**Trustee Amounts**"), the liabilities owed to each creditor representative (a "**Pari Passu Debt Representative**") in respect of Pari Passu Debt (the "**Pari Passu Debt Representative Amounts**"), the liabilities owed to each creditor (a "**Second Lien Debt Creditor**") representative (a "**Second Lien Debt Creditor Representative**") in respect of Second Lien Debt (the "**Second Lien Debt Creditor Representative Amounts**") and the liabilities owed to each trustee or agent in respect of Senior Debt or any other senior notes (the "**Senior Debt Representative Amounts**"), the Super Senior Debt Creditor Liabilities, the Priority Hedging Liabilities, the Senior Secured Notes Liabilities, the Pari Passu Debt Liabilities and the Non Priority Hedging Liabilities *pari passu* and without any preference between them;
- second the Second Lien Debt Liabilities; and
- third (to the extent only of the Senior Debt Shared Security (as defined below)), the Senior Debt Liabilities (other than the Senior Debt Representative Amounts),

and that in any event (irrespective of the manner in which such Transaction Security is constituted) all proceeds of the Transaction Security shall be applied as described under "*—Application of proceeds*" below.

In this section:

- any liabilities (but excluding and any liabilities which are Senior Debt Liabilities (as defined below) or owed in respect of Secured Debt) owed to Lion /Seneca Lux 2 S.A., Holding AA-OC, Holding AA & Fils or any other Holding Company of the Issuer or other member of the Group who has become a party to the New Intercreditor Agreement as a subordinated creditor (the "**Subordinated Creditors**") under any loan (other than certain proceeds loans) or any Investment Instrument or which are indebtedness or which are declared dividends or any other distribution (and including, for the avoidance of doubt, (i) any Recourse Rights which have not

been assigned to the Secured Parties (as defined below) in accordance with the New Intercreditor Agreement and (ii) any other rights, actions or claims such Subordinated Creditor may have as a result of enforcement of security, or payment under the guarantee, it has granted) together with any of the following matters relating to or arising in respect of those liabilities and obligations:

- (a) any refinancing (other than a refinancing in the ordinary course and not by reason of financial difficulties), novation, deferral or extension;
- (b) any claim for breach of representation, warranty or undertaking or on an event of default or under any indemnity given under or in connection with any document or agreement evidencing or constituting any other liability or obligation falling within this definition;
- (c) any claim for damages or restitution; and
- (d) any claim as a result of any recovery by any member of the Group of a payment on the grounds of preference or otherwise,

and any amounts which would be included in any of the above but for any discharge, non-provability, unenforceability or non-allowance of those amounts in any insolvency or other proceedings are referred to as (to the extent owed to any Subordinated Creditor) "**Subordinated Liabilities**"; and

- any liabilities owed by any member of the Group which is a Debtor to any other member of the Group which is a creditor in respect of indebtedness of that first member of the Group and which is or becomes a party to the New Intercreditor Agreement as an intra-group lender (the "**Intra-Group Lenders**"), are referred to as "**Intra-Group Liabilities**".

Under the New Intercreditor Agreement, all proceeds from enforcement of the Collateral and certain other recoveries will be applied as provided below under "*Application of proceeds*" below.

### ***New money and refinancing***

The New Intercreditor Agreement contemplates that, to the extent permitted by, and subject to compliance with the requirements of, the New Intercreditor Agreement and the other Debt Documents:

- the Super Senior Debt Creditors may increase any Super Senior Debt and make further advances under the Super Senior Debt Documents to members of the Group and each such advance or increased amount will be deemed to be made under the terms of the relevant Super Senior Debt Documents;
- the Issuer may issue senior secured notes in addition to the Senior Secured Notes (whether under the Senior Secured Notes Indenture or an additional indenture issuing senior secured notes);
- the Issuer may incur Pari Passu Debt under a Pari Passu Debt Document;
- the Issuer may incur Second Lien Debt under a Second Lien Debt Document;
- the Senior Debtors may incur Senior Debt under a Senior Debt Document; and
- any of the above liabilities may with the consent of the Issuer be refinanced or replaced in whole or in part,

and that any such additional, increased or refinanced liabilities shall rank and be secured under the New Intercreditor Agreement on a super senior basis, senior secured basis, second lien basis or (as applicable) senior basis as provided for under the New Intercreditor Agreement.

The creditors in respect of Super Senior Debt Liabilities, Hedging Liabilities, Senior Secured Notes Liabilities, Pari Passu Debt Liabilities, Second Lien Debt Liabilities and Senior Debt Liabilities (together the "**Secured Parties**") agree that if any Transaction Security over any asset under the applicable Transaction Security Documents is amended, extended, renewed, restated, supplemented or otherwise modified, replaced or released to ensure that the additional, increased or refinanced liabilities described above (the "**Additional Secured Liabilities**") can be secured with the ranking contemplated as set out under "*Ranking and priority*" above, then the Security Agent is authorized to effect such amendment, extension, renewal, restatement, supplement, modification, replacement or release the applicable Transaction Security Documents *provided that*:

- if an event of default under a Super Senior Debt Document (that is not to be refinanced or replaced in whole) is continuing at that time the requisite consent under the Super Senior Debt Document is obtained;
- immediately upon such release of Transaction Security, new Transaction Security shall be provided in favor of the providers of such Additional Secured Liabilities and the existing Secured Creditors on terms substantially the same as the terms of the Transaction Security Documents released and subject to the same ranking as set out under "*—Ranking and priority*" above; and
- contemporaneously with such amendment, extension, replacement, restatement, supplement, modification, renewal or release (followed by an immediate retaking of security of at least equivalent ranking over the same assets) which has the effect of releasing the relevant Transaction Security, the Issuer delivers to the Security Agent either (A) a solvency opinion from an internationally recognized investment bank or accounting firm, in form and substance reasonably satisfactory to the Security Agent confirming the solvency of the person granting such Transaction Security after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement or release and retaking; (B) a certificate from the board of directors or chief financial officer of the relevant person, which certificate confirms the solvency of the person granting such Transaction Security after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement or release and retaking; or (C) an opinion of counsel, in form and substance reasonably satisfactory to the Security Agent (subject to customary exceptions and qualifications), confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification, replacement or release and retaking, the Transaction Security created under the Transaction Security Documents so amended, extended, renewed, restated, supplemented, modified, replaced or released and retaken is valid and perfected Transaction Security not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Transaction Security was not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification, replacement or release and retaking.

Notwithstanding anything to the contrary in the New Intercreditor Agreement, no Secured Party shall be required to release any Transaction Security under the Transaction Security Documents where the release described above may result in such Secured Party incurring any hardening period risk in respect of any such Transaction Security if and to the extent that the relevant Additional Secured Liabilities can be secured by lower ranking security in favor of the Secured Parties with the ranking described under "*—Ranking and priority*" above by virtue of the provisions of the New Intercreditor Agreement.

### ***Permitted payments***

The New Intercreditor Agreement will permit, inter alia, payments to be made by the Debtors or relevant issuer under the Super Senior Debt Documents, the Hedging Agreements, the Cash Management Arrangements, the Senior Secured Notes Indenture, the Pari Passu Debt Documents, the Second Lien Debt Documents and the Senior Debt Documents, in each case in accordance with the terms of the document creating or evidencing such liabilities, but subject to:

- (a) in the case of payments in respect of the Senior Secured Notes and Pari Passu Debt, compliance with certain conditions related to a Notes Purchase (as defined below) pursuant to which prepayments may not be made if either:
  - (i) the aggregate principal amount of all Senior Secured Notes, certain refinancing indebtedness and any other debt with a scheduled maturity date 12 months or more from the date on which it was incurred (other than debt under the Super Senior Debt Documents) (together, the "**Relevant Debt**") which is subject to repayment, prepayment, purchase, redemption, defeasance (or other retirement for value), or is otherwise directly or indirectly acquired (each a "**Notes Purchase**") since the Issue Date (the "**Closing Date**") (for the avoidance of doubt, excluding fees, make-whole payments or other redemption premia) does not exceed 50 per cent. of the aggregate principal amount of the Senior Secured Notes as at the Closing Date (without double counting any refinancing or other replacement of any Senior Secured Notes Liabilities in

whole or in part ("**Senior Secured Notes Liabilities Refinancing**") used to refinance or replace Relevant Debt); or

- (ii) (to the extent the aggregate principal amount of all Relevant Debt which is the subject of Notes Purchases made since the Closing Date (for the avoidance of doubt, excluding fees, make-whole payments or other redemption premia) exceeds 50 per cent. of the aggregate principal amount of the Senior Secured Notes as at the Closing Date (without double counting any Senior Secured Notes Liabilities Refinancing used to refinance or replace Relevant Debt) (the "**Notes Purchase Excess**"), commitments under the New Revolving Credit Facility are cancelled (and, if applicable, amounts outstanding under the New Revolving Credit Facility are prepaid) *pro rata* to the reduction of Senior Secured Notes Liabilities by the Notes Purchase Excess;
- (b) in the case of payments in respect of Hedging Liabilities, the conditions described under "*—Permitted Hedging Liabilities Payments*" below;
- (c) in the case of payments in respect of liabilities in respect of any Cash Management Arrangements which are permitted under the Super Senior Documents and the Senior Secured Documents to be secured by the Transaction Security (the "**Cash Management Liabilities**"), the conditions described under "*—Permitted Cash Management Payments*" below;
- (d) in the case of payments in respect of the Senior Debt, the conditions described under "*—Permitted Senior Debt Payments*" below.

After the occurrence of an Acceleration Event (as defined below) no Debtor nor any member of the Group may make a payment in respect of Super Senior Debt Liabilities, Senior Secured Notes Liabilities, Pari Passu Debt Liabilities, Second Lien Debt Liabilities or Cash Management Liabilities except from recoveries distributed in accordance with the payment waterfall described in "*—Application of proceeds*" below or as described below. No payment may be made by a Debtor in respect of Hedging Liabilities after an Acceleration Event has occurred except from recoveries distributed in accordance with the payment waterfall described in "*—Application of proceeds*" below.

The New Intercreditor Agreement also permits payments to be made from time to time to Intra-Group Lenders owed any Intra-Group Liabilities ("**Intra-Group Liabilities Payments**") if at the time of payment no acceleration event has occurred in respect of the Super Senior Debt Liabilities, the Senior Secured Notes Liabilities, the Pari Passu Debt Liabilities the Second Lien Debt Liabilities or the Senior Debt Liabilities (an "**Acceleration Event**"). The New Intercreditor Agreement permits Intra-Group Liabilities Payments if an Acceleration Event has occurred and is continuing and the Security Agent (acting on the instructions of the Instructing Group (as defined below)) has delivered written notice to the Issuer stating that no payments may be made in respect of the Intra-Group Liabilities, in each case: (i) prior to the date on which the Super Senior Debt Liabilities, Senior Secured Liabilities, Second Lien Debt Liabilities and Senior Debt Liabilities are discharged in cash (the "**Final Discharge Date**"), with the consent of (1) the Super Senior Debt Representative, the Senior Secured Notes Trustee, and the Pari Passu Debt Representative(s), (2) (if, at that time, the Security Agent is obliged to give effect to instructions from a majority of Second Lien Debt Creditors (including the Senior Subordinated Noteholders) (the "**Second Lien Debt Required Holders**") as to the manner of enforcement of the Transaction Security as described under "*—Manner of enforcement of transaction security*" below, the Second Lien Debt Required Holders or (3) if, at that time, the Security Agent is obliged to give effect to instructions from a majority of Senior Debt Creditors (the "**Senior Debt Required Holders**") as to the manner of enforcement of the Transaction Security, the Senior Debt Required Holders; (ii) after the discharge date (the "**Secured Debt Discharge Date**") in respect of the Super Senior Debt Liabilities and Senior Secured Liabilities but prior to the discharge date in respect of the Second Lien Debt Liabilities (the "**Second Lien Discharge Date**"), with the consent of the relevant Second Lien Debt Representative (including the Senior Subordinated Notes Trustee); (iii) after the later of the Secured Debt Discharge Date and the Second Lien Discharge Date but prior to the discharge date in respect of the Senior Debt Liabilities (the "**Senior Debt Discharge Date**"), with the consent of the Senior Debt Representative; or (iv) if that payment is made solely to facilitate payment of the Super Senior Liabilities, Senior Secured Notes Liabilities, Pari Passu Debt Liabilities, Second Lien Debt Liabilities, Senior Secured Debt Representative Amounts, Senior Debt Representative Amounts or Senior Debt Liabilities (in each case to the extent permitted by the New Intercreditor Agreement to be paid).

Payments may be made in respect of Subordinated Liabilities if: (i) the payment is permitted or not prohibited by the Super Senior Debt Documents, the Senior Secured Notes Indenture, the *Pari Passu* Debt Documents, the Second Lien Debt Documents and the Senior Debt Documents, in each case prior to the relevant discharge date; (ii) prior to the Secured Debt Discharge Date, to the extent the relevant Senior Secured Documents or Super Senior Debt Documents prohibit such payment, the Super Senior Creditors, the Senior Secured Notes Trustee and the relevant *Pari Passu* Debt Representative(s) consent to such payment being made; (iii) prior to the Second Lien Discharge Date, the prior consent of the relevant Senior Lien Debt Representative (including the Senior Subordinated Notes Trustee) is obtained to the extent the relevant Second Lien Debt Documents prohibit such payment or (iv) prior to the Senior Debt Discharge Date, the prior consent of the relevant Senior Debt Representative(s) is obtained to the extent the relevant Senior Debt Documents prohibit such payment.

#### ***Permitted hedging liabilities payments***

Subject to the conditions described below (and unless an Acceleration Event has occurred), the Debtors may make payments to any Hedge Counterparty in respect of the Hedging Liabilities then due to that Hedge Counterparty under any Hedging Agreement in accordance with the terms of that Hedging Agreement (i) if the payment is a scheduled payment arising under the relevant Hedging Agreement (or another ordinary course payment under a Hedging Agreement, including any payment in relation to fees, costs and expenses); (ii) to the extent that the relevant Debtor's obligation to make the payment arises as a result of the operation of certain provisions relating to non-credit related close-outs under the Hedging Agreements including, *inter alia*, in relation to withholding tax, payments in the contractual currency, judgments and expenses; (iii) to the extent that the relevant Debtor's obligation to make the payment arises as a result of the operation of a credit related close-out or a permitted automatic early termination under the Hedging Agreement which arises as a result of an event relating to a Debtor and where no event of default under the Super Senior Debt Documents, the Senior Secured Notes Finance Documents or the *Pari Passu* Debt Documents is continuing at the time of, or would result from, that payment; (iv) where the relevant payment relates to a close-out or termination arising as a result of a bankruptcy event of default or force majeure termination event with respect to the relevant Hedge Counterparty and where no event of default under the Super Senior Debt Documents, the Senior Secured Notes Finance Documents or the *Pari Passu* Debt Documents is continuing at the time of, or would result from, that payment; (v) with the consent of the Super Senior Required Holders and Majority Senior Secured Creditors (as defined below (excluding the Hedge Counterparties)); (vi) if the payment is a payment pursuant to the provision regulating order of the application of proceeds described under "*Application of proceeds*"; or (vii) if the payment arises directly or indirectly as a result of any close-out, termination or other similar or equivalent action by a member of the Group (provided that the Group will remain in compliance with any minimum hedging requirements under any of the Debt Documents).

#### ***Permitted cash management payments***

Prior to the Secured Debt Discharge Date, the Debtors may make payments to any cash management bank which is a party to the New Intercreditor Agreement in respect of any Cash Management Liabilities (the "**Cash Management Provider**") in respect of the Cash Management Liabilities then due to that Cash Management Provider under any Cash Management Arrangement, provided that at any time when there are Super Senior Debt Liabilities, Senior Secured Notes Liabilities or any *Pari Passu* Debt Liabilities outstanding, following the occurrence of an Acceleration Event, no Debtor may make a payment in respect of Cash Management Liabilities except from recoveries distributed in accordance with the payment waterfall described in "*Application of proceeds*" below, unless such payment is from any distribution or dividend out of any Debtor's unsecured assets (*pro rata* to each unsecured creditor's claim) made by a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer appointed in respect of any Debtor or any of its assets.

#### ***Permitted senior debt payments***

Any holding company of the Issuer which issues or borrows Senior Debt (the "**Senior Debtor**") or any Debtors who are members of the Group may:

- (a) prior to the later of the Secured Debt Discharge Date and the Second Lien Debt Discharge Date, make payments directly or indirectly to the Senior Debt Creditors in respect of the Senior Debt Liabilities then due in accordance with the Senior Debt Documents:
  - (i) if:

- (A) the payment is of:
  - (1) any of the principal amount of the Senior Debt Liabilities which is either (1) not prohibited from being paid by the Super Senior Debt Documents (if the date of discharge of the Super Senior Debt Liabilities (the "**Super Senior Debt Discharge Date**") has not occurred), the Senior Secured Notes Indenture or other indenture pursuant to which the Senior Secured Notes or any other senior secured notes are outstanding (if the date of discharge of the Senior Secured Notes Liabilities (the "**Senior Secured Notes Discharge Date**") has not occurred), the Pari Passu Debt Documents pursuant to which Pari Passu Debt is outstanding (if the date of discharge of the Pari Passu Debt Liabilities (the "**Pari Passu Debt Discharge Date**") has not occurred or the Second Lien Debt Documents pursuant to which Second Lien Debt is outstanding (if the date of discharge of the Second Lien Debt Liabilities (the "**Second Lien Discharge Date**") has not occurred) or (2) paid on or after the final maturity date of the Senior Debt Liabilities; or
  - (2) any other amount (including, without limitation, cash pay interest, default interest, fees and additional amounts) which is not an amount of principal or capitalized interest and any corresponding amount under any relevant proceeds loan;
- (B) no Senior Debt Payment Stop Notice (as defined below) is outstanding; and
- (C) no payment default has occurred and is continuing under the Super Senior Debt Documents, the Senior Secured Notes Finance Documents, the Pari Passu Debt Documents or the Second Lien Debt Documents; or
- (ii) if the Super Senior Debt Representative(s), the Senior Secured Notes Trustee, the Pari Passu Debt Representative(s) and the Second Lien Debt Representative(s) (including the Senior Subordinated Notes Trustee) give prior consent to that payment being made to the extent the relevant Debt Documents prohibit such payment from being made; or
- (iii) if the payment is of a Senior Debt Representative Amount; or
- (iv) if the payment is by the Senior Debtor of any of its obligations in relation to the Senior Debt and such payment is not financed directly or indirectly by a payment to the Senior Debtor from a member of the Group which was prohibited (at the time it was made to the Senior Debtor) by the Super Senior Debt Documents (if the Super Senior Discharge Date has not occurred), the Senior Secured Notes Indenture(s) pursuant to which any Senior Secured Notes are outstanding (if the Senior Secured Discharge Date has not occurred) or the Pari Passu Debt Documents (if the Pari Passu Debt Discharge Date has not occurred) or the Second Lien Debt Documents (if the Second Lien Debt Discharge Date); or
- (v) if the payment is of certain administrative costs relating to the Senior Debtor and costs relating to the protection, preservation or enforcement of the Transaction Security; or
- (vi) if the payment is of costs, commissions, taxes (including gross up amounts), consent fees and original issuance discount and upfront fees and expenses incurred in respect of (or reasonably incidental to) the Senior Debt Documents (including in relation to any reporting or listing requirements under the Senior Debt Documents); or



- (vii) if the payment is of costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Senior Debt in compliance with the New Intercreditor Agreement; and
- (b) on or after the later of the Secured Debt Discharge Date and the Second Lien Discharge Date, make any payments to or with respect to the Senior Debt Creditors in respect of the Senior Debt Liabilities in accordance with the Senior Debt Documents (including, for the avoidance of doubt, payment of principal).

***Permitted second lien debt payments***

Any issuer or borrower of Second Lien Debt (a "**Second Lien Debtor**") or any Debtors who are members of the Group may:

- (a) prior to the Secured Debt Discharge Date, make payments directly or indirectly to the Second Lien Debt Creditors in respect of the Second Lien Debt Liabilities then due in accordance with the Second Lien Debt Documents:
  - (i) if:
    - (A) the payment is of:
      - (1) any of the principal amount of the Second Lien Debt Liabilities which is either (1) not prohibited from being paid by the Super Senior Debt Documents (if the Super Senior Discharge Date has not occurred), the Senior Secured Notes Indenture or other indenture pursuant to which the Senior Secured Notes or any other senior secured notes are outstanding (if the Senior Secured Notes Discharge Date has not occurred) or the Pari Passu Debt Documents pursuant to which Pari Passu Debt is outstanding (if the Pari Passu Debt Discharge Date has not occurred) or (2) paid on or after the final maturity date of the Second Lien Debt Liabilities; or
      - (2) any other amount (including, without limitation, cash pay interest, default interest, fees and additional amounts) which is not an amount of principal or capitalized interest and any corresponding amount under any relevant proceeds loan,
    - (B) no Second Lien Debt Payment Stop Notice (as defined below) is outstanding; and
    - (C) no payment default has occurred and is continuing under the Super Senior Debt Documents, the Senior Secured Notes Finance Documents or the Pari Passu Debt Documents; or
  - (ii) if the Super Senior Debt Representative(s), the Senior Secured Notes Trustee and the Pari Passu Debt Representative(s) give prior consent to that payment being made to the extent the relevant Debt Documents prohibit such payment from being made; or
  - (iii) if the payment is of a Second Lien Debt Representative Amount; or
  - (iv) if the payment is of costs relating to the protection, preservation or enforcement of the Transaction Security; or
  - (v) if the payment is of costs, commissions, taxes (including gross up amounts), consent fees and original issuance discount and upfront fees and expenses incurred in respect of (or reasonably incidental to) the Second Lien Debt Documents (including in relation to any reporting or listing requirements under the Second Lien Debt Documents); or
  - (vi) if the payment is of costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Second Lien Debt in compliance with the New Intercreditor Agreement; and
- (b) on or after the Secured Debt Discharge Date, make any payments to or with respect to the Second Lien Debt Creditors in respect of the Second Lien Debt Liabilities in

accordance with the Second Lien Debt Documents (including, for the avoidance of doubt, payment of principal).

***Issue of senior debt payment stop notice***

- (a) Until the later of the Secured Debt Discharge Date and the Second Lien Discharge Date, except with the prior consent of the Super Senior Debt Representative(s) (if the Super Senior Discharge Date has not occurred), the Senior Secured Notes Trustee (if the relevant Senior Secured Discharge Date has not occurred) and the Pari Passu Debt Representative(s) (if the relevant Pari Passu Debt Discharge Date has not occurred) and the Second Lien Debt Representative(s) (including the Senior Subordinated Notes Trustee) (if the relevant Second Lien Debt Discharge Date has not occurred) and subject to the provisions of the New Intercreditor Agreement which deal with the effects of an insolvency event, the Issuer shall not make (and shall procure that no other member of the Group shall make), and no Senior Debt Creditor may receive from the Issuer or any other member of the Group, any payment in respect of the Senior Debt which would otherwise be permitted as referred to above (a "**Permitted Senior Debt Payment**") (other than any referred to in (a)(B) of "*Permitted senior debt payments*" above and any Senior Debt Representative Amounts) if:
- (i) a Secured Debt Payment Default or a Second Lien Debt Payment Default is continuing; or
  - (ii) an event of default under any document or instrument creating or evidencing the Secured Debt other than the Hedging Liabilities (a "Secured Debt Event of Default") (other than a Secured Debt Payment Default) or an event of default under any Second Lien Debt Document (a "**Second Lien Debt Event of Default**") (other than a Second Lien Debt Payment Default) is continuing, from the date which is one business day after the date on which the Super Senior Debt Representative(s), the Senior Secured Notes Trustee, any Pari Passu Debt Representative or any Second Lien Debt Representative (including the Senior Subordinated Notes Trustee) (as the case may be) delivers a notice (a "**Senior Debt Payment Stop Notice**") specifying the event or circumstance in relation to that Secured Debt Event of Default or Second Lien Debt Event of Default to the Senior Debtor, the Security Agent, the Super Senior Debt Representative(s), the Senior Secured Notes Trustee, the Senior Debt Representative(s), the Pari Passu Debt Representative(s) and the Second Lien Debt Representative(s) (including the Senior Subordinated Notes Trustee) (in each case, as applicable) until the earliest of:
    - (A) the first business day falling 179 days after delivery of that Senior Debt Payment Stop Notice;
    - (B) in relation to payments of Senior Debt Liabilities, if a Senior Debt Standstill Period (as defined below) is in effect at any time after delivery of that Senior Debt Payment Stop Notice, the date on which that Senior Debt Standstill Period expires;
    - (C) the date on which the relevant Secured Debt Event of Default or Second Lien Debt Event of Default has been remedied or waived or, if the relevant Super Senior Debt Creditor Liabilities, Senior Secured Notes Liabilities, the Pari Passu Debt Liabilities or Second Lien Debt Liabilities have been accelerated, such acceleration has been rescinded, in accordance with the relevant Debt Documents (as applicable);
    - (D) the date on which each Super Senior Debt Representative, Senior Secured Notes Trustee, Pari Passu Debt Representative and Second Lien Debt Representative (including the Senior Subordinated Notes Trustee) which delivered the relevant Senior Debt Payment Stop Notice delivers a notice to the Senior Debtor, the Security Agent, the Super Senior Debt Representative(s), the Senior Secured Debt Trustee, the Senior Debt Representative(s), the Pari Passu Debt

- Representative(s) and the Second Lien Debt Representative(s) (including the Senior Subordinated Notes Trustee) (in each case, as applicable) cancelling the Senior Debt Payment Stop Notice;
- (E) the Secured Debt Discharge Date; and
  - (F) the date on which the Security Agent or a Senior Debt Representative takes enforcement action permitted under the New Intercreditor Agreement against a member of the Group.
- (b) Unless the Senior Debt Representative(s) waive this requirement:
- (i) a new Senior Debt Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Senior Debt Payment Stop Notice; and
  - (ii) no Senior Debt Payment Stop Notice may be delivered in reliance on a Secured Debt Event of Default more than 45 days after the date each Super Senior Debt Representative, the Senior Secured Notes Trustee, each Pari Passu Debt Representative and each Second Lien Debt Representative (including the Senior Subordinated Notes Trustee) received notice of that Secured Debt Event of Default or Second Lien Event of Default.
- (c) The Super Senior Debt Representative(s), the Senior Secured Notes Trustee, the Pari Passu Debt Representative(s) or the Second Lien Debt Representative(s) (including the Senior Subordinated Notes Trustee) may only serve one Senior Debt Payment Stop Notice with respect to the same event or set of circumstances. Subject as described in paragraph (b) above, this shall not affect the right of Super Senior Debt Representative(s), the Senior Secured Notes Trustee, the Pari Passu Debt Representative(s) or the Second Lien Debt Representative(s) (including the Senior Subordinated Notes Trustee) to issue a Senior Debt Payment Stop Notice in respect of any other event or set of circumstances.
- (d) No Senior Debt Payment Stop Notice may be served by a Super Senior Debt Representative, the Senior Secured Notes Trustee, a Pari Passu Debt Representative or a Second Lien Debt Representative (including the Senior Subordinated Notes Trustee) in respect of a Secured Debt Event of Default or a Second Lien Event of Default which had been notified to the Super Senior Debt Representative(s), the Senior Secured Notes Trustee, the Pari Passu Debt Representative(s) (including the Senior Subordinated Notes Trustee) and the Second Lien Debt Representative(s), as relevant, at the time at which an earlier Senior Debt Payment Stop Notice was issued.
- (e) For the avoidance of doubt, the provisions in the New Intercreditor Agreement relating to a Senior Debt Payment Stop Notice:
- (i) act as a suspension of payment and not as a waiver of the right to receive payment on the date such payments are due;
  - (ii) will not prevent the accrual or capitalization of interest (including default interest) in accordance with the Senior Debt Documents;
  - (iii) will not prevent the payment of any Senior Debt Representative Amounts and certain administrative costs relating to the Senior Debtor; and
  - (iv) will not prevent the payment of audit fees, directors' fees, taxes and other proper and incidental expenses required to maintain existence.

***Issue of second lien debt payment stop notice***

- (a) Until the Secured Debt Discharge Date, except with the prior consent of the Super Senior Debt Representative(s) (if the Super Senior Debt Discharge Date has not occurred), the Senior Secured Notes Trustee (if the relevant Senior Secured Discharge Date has not occurred) and the Pari Passu Debt Representative(s) (if the relevant Pari Passu Debt Discharge Date has not occurred) and subject to the provisions of the New Intercreditor Agreement which deal with the effects of an insolvency event, the Issuer shall not make (and shall procure that no other member of the Group shall make), and no Second Lien Debt Creditor may receive from the Issuer or any other member of the

Group, any payment in respect of the Second Lien Debt which would otherwise be permitted as referred to above (a "**Permitted Second Lien Debt Payment**") (other than any referred to in (a)(ii) of "*Permitted second lien debt payments*" above and any Second Lien Representative Amounts) if:

- (i) a Secured Debt Payment Default is continuing; or
- (ii) an event of default under any document or instrument creating or evidencing the Secured Debt other than the Hedging Liabilities (a "**Secured Debt Event of Default**") (other than a Secured Debt Payment Default) is continuing, from the date which is one business day after the date on which the Super Senior Debt Representative(s), the Senior Secured Notes Trustee or any Pari Passu Debt Representative (as the case may be) delivers a notice (a "**Second Lien Debt Payment Stop Notice**") specifying the event or circumstance in relation to that Secured Debt Event of Default to the Second Lien Debtor, the Security Agent, the Super Senior Debt Representative(s), the Senior Secured Notes Trustee, the Senior Debt Representative(s) and the Pari Passu Debt Representative(s) (in each case, as applicable) until the earliest of:
  - (A) the first business day falling 179 days after delivery of that Second Lien Debt Payment Stop Notice;
  - (B) in relation to payments of Second Lien Debt Liabilities, if a Second Lien Debt Standstill Period (as defined below) is in effect at any time after delivery of that Second Lien Debt Payment Stop Notice, the date on which that Second Lien Debt Standstill Period expires;
  - (C) the date on which the relevant Second Lien Debt Event of Default has been remedied or waived or, if the relevant Super Senior Debt Creditor Liabilities or Senior Secured Liabilities and Pari Passu Debt Liabilities have been accelerated, such acceleration has been rescinded, in accordance with the relevant Debt Documents (as applicable);
  - (D) the date on which each Super Senior Debt Representative, Senior Secured Notes Trustee and Pari Passu Debt Representative which delivered the relevant Second Lien Debt Payment Stop Notice delivers a notice to the Second Lien Debtor, the Security Agent, the Super Senior Debt Representative(s), the Senior Secured Notes Trustee, the Senior Debt Representative(s) and the Pari Passu Debt Representative(s) (in each case, as applicable) cancelling the Second Lien Debt Payment Stop Notice;
  - (E) the Secured Debt Discharge Date; and
  - (F) the date on which the Security Agent or a Senior Debt Representative takes enforcement action permitted under the New Intercreditor Agreement against a member of the Group.
- (b) Unless the Second Lien Debt Representative(s) (including the Senior Subordinated Notes Trustee) waive this requirement:
  - (i) a new Second Lien Debt Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Second Lien Debt Payment Stop Notice; and
  - (ii) no Second Lien Debt Payment Stop Notice may be delivered in reliance on a Second Lien Debt Event of Default more than 45 days after the date each Super Senior Debt Representative, the Senior Secured Notes Trustee and each Pari Passu Debt Representative received notice of that Secured Debt Event of Default.
- (c) The Super Senior Debt Representative(s), the Senior Secured Notes Trustee and the Pari Passu Debt Representative(s) may only serve one Second Lien Debt Payment Stop Notice with respect to the same event or set of circumstances. Subject as described in paragraph (b) above, this shall not affect the right of Super Senior Debt Representative(s), the Senior Secured Notes Trustee or the Pari Passu Debt

Representative(s) to issue a Second Lien Debt Payment Stop Notice in respect of any other event or set of circumstances.

- (d) No Second Lien Debt Payment Stop Notice may be served by a Super Senior Debt Representative, the Senior Secured Notes Trustee or a Pari Passu Debt Representative in respect of a Second Lien Debt Event of Default which had been notified to the Super Senior Debt Representative(s), the Senior Secured Notes Trustee and the Pari Passu Debt Representative(s), as relevant, at the time at which an earlier Second Lien Debt Payment Stop Notice was issued.
- (e) For the avoidance of doubt, the provisions in the New Intercreditor Agreement relating to a Second Lien Debt Payment Stop Notice:
  - (i) act as a suspension of payment and not as a waiver of the right to receive payment on the date such payments are due;
  - (ii) will not prevent the accrual or capitalization of interest (including default interest) in accordance with the Second Lien Debt Finance Documents;
  - (iii) will not prevent the payment of any Second Lien Debt Representative Amounts; and
  - (iv) will not prevent the payment of audit fees, directors' fees, taxes and other proper and incidental expenses required to maintain existence.

***Cure of payment stop: senior debt creditors***

If:

- (a) at any time following the issue of a Senior Debt Payment Stop Notice or the occurrence of a Secured Debt Payment Default, that Senior Debt Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Secured Debt Payment Default ceases to be continuing; and
- (b) the relevant Debtor then promptly pays to the Senior Debt Creditors an amount equal to any payments which had accrued under the Senior Debt Documents and which would have been Permitted Senior Debt Payments but for that Senior Debt Payment Stop Notice or Secured Debt Payment Default,

then any event of default which may have occurred as a result of that suspension of payments shall be waived and any Senior Debt Enforcement Notice (as defined below) which may have been issued as a result of that event of default shall be waived, in each case without any further action being required on the part of the Senior Debt Creditors.

***Cure of payment stop: second lien debt creditors***

If:

- (a) at any time following the issue of a Second Lien Debt Payment Stop Notice or the occurrence of a Second Lien Debt Event of Default, that Second Lien Debt Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Second Lien Debt Event of Default ceases to be continuing; and
- (b) the relevant Debtor then promptly pays to the Second Lien Debt Creditors an amount equal to any payments which had accrued under the Second Lien Debt Documents and which would have been Permitted Second Lien Debt Payments but for that Second Lien Debt Payment Stop Notice or Second Lien Debt Event of Default,

then any event of default which may have occurred as a result of that suspension of payments shall be waived and any Second Lien Debt Enforcement Notice (as defined below) which may have been issued as a result of that event of default shall be waived, in each case without any further action being required on the part of the Second Lien Debt Creditors.

***Restrictions on enforcement by senior debt creditors***

Until the Secured Debt Discharge Date, except with the prior consent of or as required by an Instructing Group:

- (a) no Senior Debt Creditors shall direct the Security Agent to enforce or otherwise (to the extent applicable), require the enforcement of, any Transaction Security Documents; and
- (b) no Senior Debt Creditor shall take or require the taking of any enforcement action in relation to the Senior Debt Guarantee Liabilities,

except as described under "*—Permitted Senior Debt and Senior Debt Security Documents Enforcement*" and under "*—Enforcement on behalf of the senior debt creditors*" below.

***Restrictions on enforcement by second lien debt creditors***

Until the Secured Debt Discharge Date, except with the prior consent of or as required by an Instructing Group:

- (a) no Second Lien Debt Creditor shall direct the Security Agent to enforce or otherwise (to the extent applicable), require the enforcement of, any Transaction Security Documents; and
- (b) no Second Lien Debt Creditor shall take or require the taking of any enforcement action in relation to the Second Lien Debt Liabilities,

except as described under "*—Permitted Second Lien Debt and Second Lien Security Documents enforcement*" and under "*—Enforcement on behalf of the second lien debt finance parties*" below.

***Restrictions on enforcement by cash management providers***

Cash Management Providers shall not be entitled to take any enforcement action unless:

- (a) at the same time as, or prior to, that action, enforcement action has been taken in respect of the Secured Creditor Liabilities, in which case the Cash Management Providers may take the same Enforcement Action as has been taken in respect of those other Secured Creditor Liabilities;
- (b) that enforcement action is taken in respect of cash collateral which has been provided in accordance with any Cash Management Arrangement;
- (c) at the same time as or prior to that action, the consent of the Super Senior Debt Required Holders and the Senior Secured Notes Trustee to that Enforcement Action is obtained; or
- (d) an insolvency event has occurred in relation to any Debtor, in which case each Cash Management Provider shall be entitled (if it has not already done so) to exercise any right it may otherwise have in respect of such Debtor to (i) accelerate any of such Debtor's Cash Management Liabilities or declare them prematurely due and payable on demand, (ii) make a demand under any guarantee, indemnity or other assurance against loss given by such Debtor in respect of any Cash Management Liabilities, (iii) exercise any right of set-off or take or receive any payment in respect of any Cash Management Liabilities of such Debtor or (iv) claim and prove in the liquidation of such Debtor for the Cash Management Liabilities owing to it.

***Permitted senior debt and senior debt security documents enforcement***

Except as provided under "*—Enforcement on behalf of senior debt creditors*" below, the restrictions described under "*—Restrictions on enforcement by senior debt creditors*" above will not apply in respect of (i) the Senior Debt Liabilities or (ii) the security granted by each Senior Debtor in favor of the Security Agent with respect to, as applicable, bank accounts and intra-group receivables held by them and Investment Instruments issued by them or by the Issuer, in each case, under the Transaction Security Documents (the "**Senior Debt Shared Security**") (if any) which guarantee and/or secure Senior Debt Liabilities as permitted by the New Intercreditor Agreement, if:

- (a) an event of default (a "**Senior Debt Event of Default**") under the Senior Debt Documents is continuing (the "**Relevant Senior Debt Default**");
- (b) the Super Senior Debt Representative(s), the Senior Secured Notes Trustee, the Pari Passu Debt Representative(s) and the Second Lien Debt Representative(s) (including the Senior Subordinated Notes Trustee) have received a written notice of the Relevant

Senior Debt Default specifying the event or circumstance in relation to the Relevant Senior Debt Default from the relevant Senior Debt Representative(s);

- (c) a Senior Debt Standstill Period (as defined below) has elapsed; and
- (d) the Relevant Senior Debt Default is continuing at the end of the relevant Senior Debt Standstill Period.

Promptly upon becoming aware of a Senior Debt Event of Default, the relevant Debt Representative may by notice (a "**Senior Debt Enforcement Notice**") in writing notify each Super Senior Debt Representative, the Senior Secured Notes Trustee, each Pari Passu Debt Representative and each Second Lien Debt Representative (including the Senior Subordinated Notes Trustee) of the existence of such Senior Debt Event of Default.

***Permitted second lien debt and second lien debt security documents enforcement***

Except as provided under "*Enforcement on behalf of second lien debt creditors*" below, the restrictions described under "*Restrictions on enforcement by second lien debt creditors*" above will not apply in respect of the Second Lien Debt Liabilities if:

- (a) an event of default (a "**Second Lien Debt Event of Default**") under the Second Lien Debt Documents is continuing (the "**Relevant Second Lien Debt Default**");
- (b) the Super Senior Debt Representative(s), the Senior Secured Notes Trustee and the Pari Passu Debt Representative(s) have received a written notice of the Relevant Second Lien Debt Default specifying the event or circumstance in relation to the Relevant Second Lien Debt Default from the relevant Second Lien Debt Representative(s) (including the Senior Subordinated Notes Trustee);
- (c) a Second Lien Debt Standstill Period (as defined below) has elapsed; and
- (d) the Relevant Second Lien Debt Default is continuing at the end of the relevant Second Lien Debt Standstill Period.

Promptly upon becoming aware of a Second Lien Debt Event of Default, the relevant Debt Representative may by notice (a "**Second Lien Debt Enforcement Notice**") in writing notify each Super Senior Debt Representative, the Senior Secured Notes Trustee and each Pari Passu Debt Representative of the existence of such Second Lien Debt Event of Default.

***Senior debt standstill period***

In relation to a Relevant Senior Debt Default, a Senior Debt Standstill Period shall mean the period beginning on the date (the "**Senior Debt Standstill Start Date**") the relevant Senior Debt Representative serves a Senior Debt Enforcement Notice on each Super Senior Debt Representative, the Senior Secured Notes Trustee, each Pari Passu Debt Representative and each Second Lien Debt Representative (including the Senior Subordinated Notes Trustee) in respect of such Relevant Senior Debt Default and ending on the earliest to occur of:

- (a) the first business day falling 179 days after the Senior Debt Standstill Start Date (the "**Senior Debt Standstill Period**");
- (b) the date the Secured Creditors take any enforcement action in relation to a particular Debtor or member of the Group that is a guarantor of any Senior Debt or Senior Debt Liabilities (a "**Senior Debt Guarantor**") or as, applicable, the Senior Debtor, provided, however, that:
  - (i) if a Senior Debt Standstill Period ends as described in this section, the Senior Debt Creditors may only take the same enforcement action in relation to the Senior Debt Guarantor as the enforcement action taken by the Secured Creditors against such Senior Debt Guarantor and not against any other member of the Group; and
  - (ii) (enforcement action for these purposes does not include action taken to preserve or protect any security as opposed to realize it;
- (c) the date of an insolvency event (other than as a result of any action taken by any Senior Debt Creditor) in relation to a particular Senior Debt Guarantor (or, as applicable, the Senior Debtor) against whom enforcement action is to be taken;

- (d) the expiry of any other Senior Debt Standstill Period outstanding at the date such first mentioned Senior Debt Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy);
- (e) the date on which each Super Senior Debt Representative, each Super Senior Debt Representative, the Senior Secured Notes Trustee, each Pari Passu Debt Representative and each Second Lien Debt Representative (including the Senior Subordinated Notes Trustee) give their consent to the termination of the relevant Senior Debt Standstill Period; and
- (f) a failure to pay the principal amount outstanding on the Senior Debt at the final stated maturity of the Senior Debt.

The Senior Debt Creditors may take enforcement action as described under "*—Permitted senior debt and senior debt security documents enforcement*" above in relation to a Relevant Senior Debt Default even if, at the end of any relevant Senior Debt Standstill Period or at any later time, a further Senior Debt Standstill Period has begun as a result of any other Senior Debt Event of Default.

### ***Second lien debt standstill period***

In relation to a Relevant Second Lien Debt Default, a Second Lien Debt Standstill Period shall mean the period beginning on the date (the "**Second Lien Debt Standstill Start Date**") the relevant Second Lien Debt Representative (including the Senior Subordinated Notes Trustee) serves a Second Lien Debt Enforcement Notice on the Super Senior Debt Representative, the Senior Secured Notes Trustee and each Pari Passu Debt Representative in respect of such Relevant Second Lien Debt Default and ending on the earliest to occur of:

- (a) the first business day falling 179 days after the Second Lien Debt Standstill Start Date (the "**Second Lien Debt Standstill Period**");
- (b) the date the Secured Creditors take any enforcement action in relation to a particular Debtor or member of the Group that is a guarantor (a "**Guarantor**") or as, applicable, the Second Lien Debtor, provided, however, that:
  - (i) if a Second Lien Debt Standstill Period ends as described in this section, the Second Lien Debt Finance Parties may only take the same enforcement action in relation to Guarantor (or the Second Lien Debtor) as the enforcement action taken by the Secured Creditors against such Guarantor (or the Second Lien Debtor) and not against any other member of the Group; and
  - (ii) enforcement action for these purposes does not include action taken to preserve or protect any security as opposed to realize it;
- (c) the date of an insolvency event (other than as a result of any action taken by any Second Lien Debt Finance Party) in relation to a particular Guarantor (or, as applicable, the Second Lien Debtor) against whom enforcement action is to be taken;
- (d) the expiry of any other Second Lien Debt Standstill Period outstanding at the date such first mentioned Second Lien Debt Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy);
- (e) the date on which each Super Senior Debt Representative, the Senior Secured Notes Trustee and each Pari Passu Debt Representative give their consent to the termination of the relevant Second Lien Debt Standstill Period; and
- (f) a failure to pay the principal amount outstanding on the Second Lien Debt at the final stated maturity of the Second Lien Debt.

The Second Lien Debt Finance Parties may take enforcement action as described under "*—Permitted senior debt and senior debt security documents enforcement*" above in relation to a Relevant Second Lien Debt Default even if, at the end of any relevant Second Lien Debt Standstill Period or at any later time, a further Second Lien Debt Standstill Period has begun as a result of any other Second Lien Debt Event of Default.



### ***Enforcement on behalf of senior debt finance parties***

- (1) If the Security Agent has notified the Senior Debt Representative that it is taking steps to enforce security created pursuant to any Security Document over shares of a Senior Debt Guarantor, no Senior Debt Creditor may take any action described under "*—Permitted senior debt and senior debt security documents enforcement*" above against that Senior Debt Guarantor while the Security Agent (i) has requested instructions of an Instructing Group in relation to the enforcement of that security and the relevant instructions have not been given or (ii) is taking steps to enforce that security in accordance with the instructions of the Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.
- (2) If the Senior Debt Creditors are permitted to give instructions to the Security Agent to require the enforcement of the security constituted pursuant to any Security Document in accordance with the provisions of the New Intercreditor Agreement described under this section, such enforcement action must require the realization of the relevant security by way of a sale or disposal conducted in compliance with the provisions of the New Intercreditor Agreement described under "*—Conditions to release—Senior debt protection*" below.

### ***Enforcement on behalf of second lien debt creditors***

- (a) If the Security Agent has notified the Second Lien Debt Representative (including the Senior Subordinated Notes Trustee) that it is taking steps to enforce security created pursuant to any Security Document over shares of a Guarantor of the Second Lien Debt Liabilities, no Second Lien Debt Creditor may take any action described under "*—Permitted second lien debt and second lien debt security documents enforcement*" above against that Guarantor while the Security Agent (i) has requested instructions of an Instructing Group in relation to the enforcement of that security and the relevant instructions have not been given or (ii) is taking steps to enforce that security in accordance with the instructions of the Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.
- (b) If the Second Lien Debt Creditors are permitted to give instructions to the Security Agent to require the enforcement of the security constituted pursuant to any Security Document in accordance with the provisions of the New Intercreditor Agreement described under this section, such enforcement action must require the realization of the relevant security by way of a sale or disposal conducted in compliance with the provisions of the New Intercreditor Agreement described under "*—Conditions to release—Second lien debt protection*" below.

### ***Manner of enforcement of Transaction Security***

- (a) The Security Agent may refrain from enforcing the Transaction Security or taking any other enforcement action unless instructed otherwise by either the Super Senior Debt Required Holders or the Majority Senior Secured Creditors, whichever at the relevant time is entitled to give instructions in accordance with the terms of the New Intercreditor Agreement as described below (each an "**Instructing Group**") *provided that* (i) if such enforcement is on or after the Secured Debt Discharge Date but before the Second Lien Debt Discharge Date, the Instructing Group shall for these purposes be the Second Lien Debt Required Holders and (ii) if such enforcement is on or after the later of the Secured Debt Discharge Date and the Second Lien Debt Discharge Date but before the Senior Debt Discharge Date, the Instructing Group shall for these purposes be the Senior Debt Required Holders.
- (b) Subject to the Transaction Security having become enforceable in accordance with its terms:
  - (i) subject to the enforcement decision requirements described below, an Instructing Group may give or refrain from giving instructions to the Security Agent to enforce or refrain from enforcing the Transaction Security as they see fit provided that the instructions as to enforcement given by the Instructing Group are consistent with the Security Enforcement Principles (as defined below); or

- (ii) to the extent permitted to enforce or to require the enforcement of the Senior Debt Shared Security prior to the Senior Debt Discharge Date as described under "*—Permitted senior debt and senior debt security documents enforcement*" above and except as provided below, the Senior Debt Representative (acting on the instruction of the Senior Debt Required Holders) may give instructions to the Security Agent as to the enforcement of the Senior Debt Shared Security as they see fit.
- (c) Prior to the later of the Secured Debt Discharge Date and the Second Lien Debt Discharge Date:
  - (i) if the Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the Transaction Security; or
  - (ii) in the absence of instructions from the Instructing Group,

and, in each case, the Instructing Group has not required any Debtor to make a Distressed Disposal (as defined below), the Security Agent shall give effect to any instructions to enforce the Senior Debt Shared Security which the Senior Debt Representative(s) (acting on the instructions of the Majority Senior Debt Creditors) are then entitled to give to the Security Agent as described under "*—Permitted senior debt and senior debt security documents enforcement*".
- (a) Notwithstanding the above, if at any time the Senior Debt Representative(s) are then entitled to give the Security Agent instructions to enforce the Senior Debt Shared Security pursuant to paragraph (iii) above and the Senior Debt Representative(s) either gives such instruction or indicates any intention to give such instruction, then:
  - (i) the Instructing Group may give instructions to the Security Agent to enforce the Senior Debt Shared Security as the Instructing Group sees fit in lieu of any instructions to enforce given by the Senior Debt Representative(s) as described under "*—Permitted senior debt and senior debt security documents enforcement*" above; and
  - (ii) if the Instructing Group gives any instructions to enforce any Transaction Security over shares in a holding company of any member of the Group whose shares are subject to Transaction Security with respect to which any such enforcement instructions by a Senior Debt Representative have been given, the Security Agent may not act on such enforcement instructions from any Senior Debt Representative(s) unless instructed to do so by the Instructing Group.
- (b) No Secured Party shall have any independent power to enforce, or to have recourse to any Transaction Security or to exercise any rights or powers arising under the Transaction Security Documents except through the Security Agent.

If the Transaction Security is being enforced as described above, the Security Agent shall enforce the Transaction Security in such manner (including, without limitation, the selection of any administrator of any Debtor to be appointed by the Security Agent) as an Instructing Group (or, in the circumstances described in paragraph (iii) above and subject to paragraph (iv) above, the Senior Debt Representatives(s) shall instruct or, in the absence of any such instructions, as the Security Agent sees fit, in each case, so far as is consistent with the Security Enforcement Principles. For the avoidance of doubt, in the absence of instructions from the Instructing Group, the Security Agent will not be required to take any action.

***Enforcement decisions with respect to enforcement of transaction security***

- (a) Prior to the Final Discharge Date and subject to the provisions of the New Intercreditor Agreement described under (iii) and (iv) below, before the giving of any instructions to the Security Agent to enforce the Transaction Security as described under "*—Manner of enforcement of transaction security*" above (and before either the Majority Senior Secured Creditors or the Super Senior Debt Required Holders shall be considered the Instructing Group), a Representative for each of the Senior Secured Creditors shall deliver a copy of its proposed enforcement instructions to the other representatives and

the Security Agent (including instructions not to enforce) (the "**Proposed Enforcement Instructions**"). The Security Agent shall as soon as reasonably practicable notify each of the representatives of the Super Senior Creditors and the Senior Secured Creditors upon receipt of such Proposed Enforcement Instructions.

- (b) Prior to the Secured Debt Discharge Date and subject to paragraphs (iii), (iv) and (v) below, if the Security Agent has received any Proposed Enforcement Instruction, it shall either enforce or refrain from enforcing the Transaction Security in accordance with the instructions of the Majority Senior Secured Creditors (and the Majority Senior Secured Creditors shall be the Instructing Group for the purposes as described under "*Manner of enforcement of transaction security*" above and in each case, acting through their respective representative), provided that such instructions are consistent with the Security Enforcement Principles and failure to give instructions will be deemed to be an instruction not to take enforcement steps.
- (c) In the event that:
  - (i) from the date that is three (3) months after the first Proposed Enforcement Instructions (including such instructions not to take enforcement steps) are delivered to the Security Agent, the Security Agent (acting on the instructions of the Majority Senior Secured Creditors) has not commenced the enforcement action or either (i) the method of enforcement of Transaction Security as determined by the Instructing Group or (ii) the appointment of a financial advisor by the Instructing Group to assist in such determination ("**Relevant Enforcement Action**") of the Transaction Security; or
  - (ii) the Super Senior Liabilities have not been fully discharged in cash within six (6) months of the date the first Proposed Enforcement Instructions (including such instructions not to take enforcement steps) were delivered to the Security Agent,

then (with effect from the date of the earlier to occur of such events), the Super Senior Debt Required Holders shall become the Instructing Group for the purposes as described under "*Manner of enforcement of transaction security*" above.

- (d) If at any time the Security Agent has not taken any Relevant Enforcement Action of the Transaction Security notwithstanding the Transaction Security having become enforceable in accordance with its terms, a representative acting on behalf of the Super Senior Debt Required Holders or the Majority Senior Secured Creditors, may at any time provide immediate instructions as to enforcement to the Security Agent notwithstanding any instructions given pursuant to paragraph (ii) or (iii) above, if the Super Senior Debt Required Holders or the Majority Senior Secured Creditors determine in good faith (and notify the representatives of the other Super Senior Creditors and the Senior Secured Notes Creditors and the Pari Passu Creditors and the Security Agent) the delay in taking enforcement action of the Transaction Security could reasonably be expected to have a material adverse effect on:
  - (i) the Security Agent's ability to enforce the Transaction Security; or
  - (ii) the realization proceeds of any enforcement of the Transaction Security,

and the Security Agent shall act only with respect to the relevant asset or Debtor that is the subject of the determination set out in paragraphs (iii)(A) or (iii)(B) above, in accordance with the first such notice of determination and instructions as to enforcement received by the Security Agent (provided in each case that such instructions are consistent with the Security Enforcement Principles).

- (e) If at any time an insolvency event has occurred with respect to any Debtor (other than an insolvency event which is the direct result of any action taken by the Security Agent acting on the instructions of the Super Senior Debt Required Holders or the Majority Senior Secured Creditors), the Security Agent shall act, to the extent the Super Senior Debt Required Holders have provided such instructions, in accordance with the instructions received from such Super Senior Debt Required Holders, provided that in the event the Security Agent has previously received Proposed Enforcement Instructions from the representative for the Majority Senior Secured Creditors and has

commenced Relevant Enforcement Action pursuant to such instructions, the Security Agent shall continue to act in accordance with the instructions of the representative for the Majority Senior Secured Creditors until such time as the representatives for the Super Senior Debt Required Holders issue enforcement instructions to the Security Agent and such instructions shall override and supersede any such prior instructions given by the representative for the Majority Senior Secured Creditors.

- (f) Other than where paragraph (iv) or (v) above applies, if, prior to the Super Senior Discharge Date, the Super Senior Debt Required Holders or the Majority Senior Secured Creditors (in each case acting reasonably) consider that the Security Agent is enforcing the security in a manner which is not consistent with the Security Enforcement Principles, the representatives for the Super Senior Creditors, the Pari Passu Debt Representatives or the Senior Secured Notes Trustee shall give notice to the representatives for the other Super Senior Creditors, and the Pari Passu Debt Representatives and the Senior Secured Notes Trustee (as appropriate) after which the representatives for the other Super Senior Creditors, the Pari Passu Debt Representatives and the Senior Secured Notes Trustee shall consult with the Security Agent for a period of 15 days (or such lesser period as the relevant representatives may agree) with a view to agreeing the manner of enforcement provided that such representatives shall not be obliged to consult under this paragraph (vi) more than once in relation to each enforcement action.
- (g) After the Super Senior Discharge Date, the Security Agent shall either enforce or refrain from enforcing the Transaction Security in accordance with the instructions provided by the Majority Senior Secured Creditors.

#### ***Limitation on enforcement of subordinated liabilities***

Creditors in respect of the Subordinated Liabilities will not be permitted to take any enforcement action in respect of such liabilities prior to the Final Discharge Date (other than certain specific enforcement action that is an acceleration of any liabilities, a declaration that any liability is payable on demand or a demand in relation to any liability that is payable on demand or an exercise of rights of set-off, in each case relating to payment of the Subordinated Liabilities which at the time of such enforcement action would be permitted as described under "*—Permitted payments*" above unless, at such time, the Super Senior Creditors, the Senior Secured Creditors, the Second Lien Debt Creditors and the Senior Debt Creditors (the "**Primary Creditors**") are or the Security Agent is taking any enforcement action required by the Instructing Group or following an Acceleration Event) save that, after the occurrence of an insolvency event in relation to a member of the Group or any Debtor, the Subordinated Creditors may (unless otherwise directed by the Security Agent or unless the Security Agent has taken, or has given notice that it intends to take, action on behalf of such Subordinated Creditors in accordance with the terms of the New Intercreditor Agreement), exercise any right it may otherwise have against that member of the Group or any Debtor to:

- (a) accelerate any of that entity's Subordinated Liabilities or declare them prematurely due and payable or payable on demand;
- (b) make a demand under any guarantee, indemnity or other assurance against loss given by that entity in respect of any Subordinated Liabilities;
- (c) exercise any right of set-off or take or receive any payment in respect of any Subordinated Liabilities of that entity; or
- (d) claim and prove in the liquidation of that entity for the Subordinated Liabilities owing to it.

#### ***Limitation on enforcement of intra-group liabilities***

The Intra-Group Lenders will not be permitted to take any enforcement action in respect of the Intra-Group Liabilities at any time prior to the Final Discharge Date (other than certain specific enforcement action that is an acceleration of any liabilities, a declaration that any liability is payable on demand or a demand in relation to any liability that is payable on demand or an exercise of rights of set-off, in each case relating to payment of the Intra-Group Liabilities which at the time of such enforcement action would be permitted as described under "*—Permitted payments*" above) unless, at such time, an Instructing Group is taking enforcement action or following an Acceleration Event, save that, after the

occurrence of an insolvency event in relation to any member of the Group, each Intra-Group Lender may (unless otherwise directed by the Security Agent or unless the Security Agent has taken, or has given notice that it intends to take, action on behalf of that Intra-Group Lender in accordance with the New Intercreditor Agreement) exercise any right it may otherwise have against that member of the Group to:

- (a) accelerate any of that member of the Group's Intra-Group Liabilities or declare them prematurely due and payable or payable on demand;
- (b) make a demand under any guarantee, indemnity or other assurance against loss given by that member of the Group in respect of any Intra-Group Liabilities;
- (c) exercise any right of set-off or take or receive any payment in respect of any Intra-Group Liabilities of that member of the Group; or
- (d) claim and prove in the liquidation of that member of the Group for the Intra-Group Liabilities owing to it.

### **Security enforcement principles**

The New Intercreditor Agreement shall provide for enforcement instructions in relation to the Transaction Security to be consistent with the following security enforcement principles (the "**Security Enforcement Principles**"):

- (a) it shall be the primary and overriding aim of any enforcement of the Transaction Security to achieve the objective of maximizing the recovery of the Secured Parties, to the extent consistent with (i) a prompt and expeditious enforcement of the Transaction Security (to the extent reasonably possible) and (ii) the rights and obligations of the Security Agent under the terms of the New Intercreditor Agreement and under applicable law (the "Security Enforcement Objective");
- (b) the Security Enforcement Principles may be amended, varied or waived with the prior written consent of the Super Senior Debt Required Holders, the Majority Senior Secured Creditors, the Senior Secured Noteholders, the holders of each tranche of Pari Passu Debt, the holders of each tranche of Second Lien Debt and the Security Agent;
- (c) except in the case of a Foreclosure, the Transaction Security will be enforced and other action as to enforcement will be taken such that either:
  - (i) all proceeds of enforcement are received by the Security Agent in cash for distribution in accordance with the payment waterfall described in "*—Application of proceeds*" below; or
  - (ii) (except in the case of any enforcement which is instructed by the Super Senior Debt Required Holders) sufficient proceeds from enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the payment waterfall described in "*—Application of proceeds*" below, the Super Senior Liabilities are repaid and discharged in full (unless the Super Senior Debt Required Holders agree otherwise);
- (d) any Exit Disposal (as defined below) may only be effected upon the instructions of an Instructing Group and in accordance with these Security Enforcement Principles as if such Exit Disposal was an enforcement of Transaction Security;
- (e) the enforcement action must be prompt and expeditious it being acknowledged that, subject to the other provisions of the New Intercreditor Agreement, the timeframe for the realization of value from the enforcement of the Transaction Security or Distressed Disposal (as defined below) or Exit Disposal pursuant to enforcement will be determined by the Instructing Group *provided* that it is consistent with the Security Enforcement Objective;
- (f) on (i) a proposed enforcement of any of the Transaction Security over assets other than shares in a member of the Group, where the aggregate book value of such assets exceeds €5,000,000 (or its equivalent in other currencies) or (ii) a proposed

enforcement of any of the Transaction Security over some or all of the shares in a member of the Group over which Transaction Security exists, the Security Agent shall if requested by the Super Senior Debt Required Holders or the Majority Senior Secured Creditors, and at the expense of the Issuer, (to the extent that financial advisers have not adopted a general policy of not providing such opinions) appoint a financial adviser to opine:

- (i) that the consideration received for any disposal is fair from a financial point of view taking into account all relevant circumstances;
- (ii) on the optimal method of enforcing the Transaction Security so as to achieve the Security Enforcement Principles and maximize the recovery of any such enforcement action; and
- (iii) that such sale is otherwise in accordance with the Security Enforcement Objective,

(the "**Financial Adviser's Opinion**") *provided* that, if the Security Agent is unable to obtain an opinion from a financial adviser covering the matters set out under (B) and (C) above (and after considering making such modifications to the enforcement process as may be reasonably available and consistent with the Security Enforcement Principles to obtain such opinion), then an opinion covering paragraph (A) above shall be sufficient to constitute a Financial Adviser's Opinion for the purposes of the Security Enforcement Principles;

- (h) the Security Agent shall be under no obligation to appoint a financial adviser or to seek the advice of a financial adviser, unless expressly required to do so by these Security Enforcement Principles or any other provision of the New Intercreditor Agreement. Prior to making any appointment of a financial adviser, the Security Agent is entitled to ensure that cost cover (at a level it is satisfied with acting reasonably) has been provided;
- (i) the Financial Adviser's Opinion (or any equivalent opinion obtained by the Security Agent in relation to any other enforcement of the Transaction Security that such action is fair from a financial point of view after taking into account all relevant circumstances) will be conclusive evidence that the Security Enforcement Objective has been met;
- (j) in the absence of written notice from a creditor or group of creditors that are not part of the relevant Instructing Group that such creditor(s) object to any enforcement of the Transaction Security on the grounds that such enforcement action does not aim to achieve the Security Enforcement Objective, the Security Agent is entitled to assume that such enforcement of the Transaction Security is in accordance with the Security Enforcement Objective;
- (k) if the Security Agent is unable to obtain a Financial Adviser's Opinion after attempting to do so (and after considering making such modifications to the enforcement process as may be reasonably available and consistent with the Security Enforcement Principles to obtain such opinion) because such opinions are not generally available in the market in such circumstances it shall notify each Super Senior Debt Representative and each representative in respect of the Senior Secured Notes Liabilities or *Pari Passu* Debt or Second Lien Debt and may proceed to enforce the Transaction Security without needing to demonstrate (by way of a Financial Adviser's Opinion or otherwise) that such enforcement is aiming to achieve the Security Enforcement Objective; and
- (l) if enforcement of any Transaction Security is conducted by way of a public auction or other competitive sales process specified in the New Intercreditor Agreement, no financial adviser shall be required to be appointed, and no Financial Adviser's Opinion shall be required, in relation to such enforcement *provided* that the Security Agent shall be entitled (but not obliged) to appoint a financial adviser to provide such advice as the Security Agent deems appropriate in relation to such enforcement by way of public auction or other competitive sale process in accordance with the New Intercreditor Agreement.

### **Exercise of voting rights**

After the occurrence of an insolvency event in respect of any Debtor, prior to the Final Discharge Date, each Intra-Group Lender and each Subordinated Creditor (collectively, the "**Subordinated Parties**") irrevocably authorizes the Security Agent to exercise, to the extent permitted by law, all powers of convening meetings, voting and representation in relation to that Debtor in respect of the Intra Group Liabilities and the Subordinated Liabilities and each relevant Subordinated Party will provide all forms of proxy and representation requested by the Security Agent for such purpose.

### **Payment of a soulte**

**"Foreclosed Asset"** means (i) any Collateral foreclosed by Secured Parties following a Foreclosure, (ii) (where such Collateral includes shares in any company) any asset of such company(ies) or any subsidiary(ies) thereof, (iii) any asset of the type referred to in (i) or (ii) transferred to any Secured Parties SPV and/or (iv) any share of any Secured Parties SPV having acquired assets of the type referred to in (i) or (ii) above (including in the context of the enforcement of a Transaction Security Document by way of sale).

**"Foreclosed Assets Holders"** means the Secured Parties (or their affiliates) in their capacity as holders (directly or indirectly through a Secured Parties SPV) of Foreclosed Assets.

**"Foreclosure"** means the enforcement of any Transaction Security as a result of which the relevant Foreclosed Assets are owned either by Secured Parties (or any representative on their behalf) or a Secured Parties SPV following (a) an appropriation (including pursuant to a *pacte commissaire* or a private appropriation) by, judicial foreclosure in favor of, or attribution to, Secured Parties (or any representative on their behalf) or a Secured Parties SPV, or (b) a disposal to a Secured Parties SPV (including a disposal made in the context of the enforcement of a Transaction Security Document by way of sale), in each case, in accordance with the relevant Transaction Security Documents.

**"Foreclosure Date"** the first date on which a Foreclosure occurs.

**"Secured Parties SPV"** means a special purpose limited liability vehicle acquiring or holding Investment Instruments or Collateral pursuant to a Foreclosure and whose share capital is held (directly or indirectly) by the Secured Parties or any affiliate(s) of any Secured Parties and which becomes party to the New Intercreditor Agreement as a Secured Parties SPV.

If following any Foreclosure a Soulte (as defined below) is owed by the Secured Parties to any Debtor, that Debtor agrees that such Soulte shall only become due and payable by the Secured Parties:

- (a) where such Soulte arises in connection with the enforcement of any Transaction Security Document governed by French law, on the earlier of;
  - (i) the date which is 12 months after the date on which such Foreclosure occurs; and
  - (ii) the Final Discharge Date; or
- (b) where such Soulte arises in connection with the enforcement of any Transaction Security Document governed by Luxembourg law, at the time, and solely to the extent, payable pursuant to the tenth ranking item in the order of priority of the payment waterfall described in "*—Application of proceeds*" below.
- (c) Any payment of the Soulte under paragraph (i) above to any Debtor which shall occur prior to the Final Discharge Date shall be paid to a bank account of the relevant Debtor held with the Security Agent and pledged in a manner satisfactory to the Security Agent acting on behalf of the Secured Parties in favor of the Secured Parties as security for the secured obligations to be applied in the order of priority of the payment waterfall described in "*—Application of proceeds*" below. This pledge agreement shall include an irrevocable instruction from the relevant Debtor to make from such pledged bank accounts any payment required to be fulfilled under the New Intercreditor Agreement or any other Debt Document.

### **Enforcement procedures with respect to the senior debt shared security**

The Security Agent may require all Secured Creditors and all Second Lien Debt Creditors to participate in the Foreclosure of any Senior Debt Shared Security, provided that any Soulte in connection with such Foreclosure shall only be payable by (i) Super Senior Creditors if the Super Senior Required Holders

constitute the Instructing Group requesting such Foreclosure, (ii) the Secured Creditors if the Majority Senior Secured Creditors constitute the Instructing Group requesting such Foreclosure, or (iii) the Second Lien Debt Creditors if the Second Lien Required Holders constitute the Instructing Group requesting such Foreclosure.

In case several different classes of Secured Creditors and/or Second Lien Debt Creditors participate in a Foreclosure in respect of any Senior Debt Shared Security, and if the relevant Collateral under Senior Debt Shared Security may not be held on trust by the Security Agent for the benefit of the Secured Creditors and/or Second Lien Debt Creditors, such Collateral under Senior Debt Shared Security shall be attributed (on the basis of the value determined in accordance with the relevant Transaction Security Document) first to the Super Senior Creditors, then to the Senior Secured Creditors, then to the Second Lien Debt Creditors and then to the Senior Debt Creditors, in each case, on a pari passu basis and in accordance with the waterfall provisions of the New Intercreditor Agreement as if such Collateral under Senior Debt Shared Security had been cash.

### ***Exit disposal***

The taking of any steps towards making an Exit Disposal shall be treated as the enforcement of a Transaction Security for all purposes under the New Intercreditor Agreement where "**Exit Disposal**" means, following a Foreclosure of certain Foreclosed Assets, a sale, disposal or transfer of: (a) such Foreclosed Assets, (b) any Investment Instrument issued by a Secured Parties SPV holding such Foreclosed Assets or (c) if the Foreclosed Assets consist of shares of any member of the Group, any assets held by such member of the Group or any subsidiary of it, in each case, to a person or persons which is not a member of the Group or a Secured Parties SPV.

### ***Turnover***

The New Intercreditor Agreement provides that if at any time prior to the Final Discharge Date, subject to certain exceptions, any Primary Creditor or Subordinated Party (each a "**Creditor**") or Secured Parties SPV receives or recovers (in the case of a Super Senior Creditor or Senior Secured Creditor only in respect of the fourth paragraph below):

- any payment or distribution of, or on account of or in relation to, any liability owed by a member of the Group under the Debt Documents which is not a permitted payment under the New Intercreditor Agreement as described under "*—Permitted payments*" above or made in accordance with the order of priority described under "*—Application of proceeds*" below;
- (except with respect to certain discharges by way of set-off occurring after an insolvency event in relation to a member of the Group following which a Subordinated Party benefitting from such set-off is required to pay to the Security Agent an amount equal to the amount set off for application of such amount in accordance with the order of priority described under "*—Application of proceeds*" below), any amount by way of set-off in respect of any liability owed by a member of the Group under the Debt Documents which does not give effect to a permitted payment under the New Intercreditor Agreement as described under "*—Permitted payments*" above;
- notwithstanding the immediately preceding two paragraphs, except with respect to certain discharges by way of set-off described in the immediately preceding paragraph any amount (other than amounts referred to in paragraph (a)(iv) under "*—Permitted Senior Debt Payments*" above) received or recovered by a Senior Debt Creditor, (i) on account of or in relation to any liability owed by a member of the Group under the Debt Documents after the occurrence of an Acceleration Event which is continuing (x) if prior to the Secured Debt Discharge Date, any Super Senior Debt Representative (acting on the instructions of the Super Senior Debt Required Holders), the Senior Secured Notes Trustee (acting on behalf of the Senior Secured Noteholders), a Pari Passu Debt Representative (acting on the instructions of the Pari Passu Debt Required Holders) or a Second Lien Debt Representative (including the Senior Subordinated Notes Trustee) (acting on behalf of the Second Lien Debt Required Holders), declaring by written notice to the Security Agent, each other creditor representative and the Issuer that a "Distress Event" has occurred or (y) if on or after the Secured Debt Discharge Date, any Senior Debt Representative (acting on behalf of the Senior Debt Required Holders) declaring by written notice to the Security Agent, each other creditor representative and the Issuer that a "Distress Event" has occurred (each, a "**Distress Event**") or as a result of litigation or other proceedings against a Debtor (other than after the occurrence of an insolvency event



in respect of such Debtor), or (ii) by way of set-off in respect of any liability of a member of the Group under the Debt Documents after the occurrence of a Distress Event;

- the proceeds of any enforcement of any Transaction Security, the proceeds of any Distressed Disposal, any Exit Disposal, any Cash Proceeds or the proceeds of any Assigned Recourse Rights (as defined below), in each case except in accordance with the order of priority described under "*—Application of proceeds*" below; or
- (except with respect to certain discharges by way of set-off described in the second paragraph of this section) any distribution in cash or in kind or payment of, or on account of or in relation to, any liability owed by a member of the Group under the Debt Documents which is not in accordance with the order of priority described in "*—Application of proceeds*" below and which is made as a result of, or after, the occurrence of an insolvency event in respect of such Debtor,

then that Creditor (or Secured Parties SPV as the case may be):

- in relation to receipts or recoveries not received or recovered by way of set-off, must hold that amount on trust for the Security Agent and promptly pay that amount to the Security Agent for application in accordance with the terms of the New Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, must promptly pay an amount equal to that receipt or recovery to the Security Agent for application in accordance with the terms of the New Intercreditor Agreement.

**"Cash Proceeds"** means (a) all amounts or distributions received in cash by the Foreclosed Assets Holders (as defined below) in respect of the Foreclosed Assets or Investment Instruments issued by a Secured Parties SPV (including dividends, interest, repayment of principal or share capital and amounts received in connection with a liquidation or a winding-up of the issuer of the Foreclosed Assets or in connection with a liquidation or a winding-up of a Secured Parties SPV) and (b) all proceeds received in cash by Foreclosed Assets Holders as a result of an Exit Disposal, in each case before deducting any liabilities for taxes incurred and required to be paid by Foreclosed Assets Holders in connection with those distributions but, in the case of either a sale of Foreclosed Assets by a Secured Parties SPV or a sale of shares in any entity which is a subsidiary of any Debtor whose Investment Instruments are the object of a Foreclosure or the Secured Parties SPV, after deducting any taxes payable by the seller.

#### ***Deferral of subrogation rights***

If any liabilities owed by a Debtor under the Debt Documents to the Secured Creditors ("**Secured Creditor Liabilities**") or any liabilities owed by the Issuer and the Debtors to the Second Lien Debt Creditors under the Second Lien Debt Documents ("**Second Lien Liabilities**") are wholly or partly paid out of any proceeds received in respect of or on account of the Senior Debt Liabilities owing to one or more Senior Debt Creditors, those Senior Debt Creditors will to that extent be subrogated to the Secured Creditor Liabilities or, as the case may be, the Second Lien Liabilities so paid (and all securities and guarantees for those Secured Creditor Liabilities).

To the extent that a Senior Debt Creditor (a "**Subrogated Creditor**") is entitled to exercise rights of subrogation, each other Creditor (subject in each case to it being indemnified, secured and/or prefunded to its satisfaction against any resulting costs, expenses and liabilities) will give such assistance to enable such rights so to be exercised as such Subrogated Creditor may reasonably request.

No Creditor, Subordinated Party or Debtor will exercise any rights which it may have by reason of the performance by it of its obligations under the Debt Documents to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights under the Debt Documents of any Creditor which ranks ahead of it in accordance with the priorities set out in the New Intercreditor Agreement as described above under "*—Ranking and priority*") until such time as all of the liabilities owing by a member of the Group under the Debt Documents to each prior ranking Creditor (or, in the case of any Debtor prior to the Final Discharge Date, owing to each Creditor) have been irrevocably paid in full.

No Subordinated Creditor will exercise any rights which it may have to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights under the Debt Documents of any Creditor until such time as all of the liabilities owing by a member of the Group under the Debt Documents to each Creditor (other than a Subordinated Creditor) have been irrevocably paid in full.

### **Assignment of recourse rights**

**"Recourse Rights"** means any and all rights (including accessory rights such as security interests), actions and claims that any member of the Group, any guarantor or any Debtor which has granted any Transaction Security or a guarantee in order to secure or guarantee all or part of the secured obligations may have against any other person (whether a Debtor or not), in each case as a result of an enforcement action of any Transaction Security, enforcement of that guarantee or otherwise as a result of the payment of such secured obligations in lieu of such other person, and including any right to be repaid by, to receive any amount from or to be indemnified by, that other person (whether prior to or after enforcement), any right of recourse by way of subrogation, *recours subrogatoire*, *recours personnel*, contribution or any other similar right, action or claim under any applicable law, whether such right arises by law, contract or otherwise.

Each member of the Group and each Debtor irrevocably and unconditionally assigns under the New Intercreditor Agreement to the Security Agent acting in its name, all Recourse Rights which it has or may have in the future (the Recourse Rights so assigned being herein referred to as the **"Assigned Recourse Rights"** and Assigned Recourse Rights and the amount thereof at any time being herein referred to as the **"Amount of Assigned Recourse Rights"**).

The consideration (the **"Assigned Recourse Rights Deferred Consideration"**) for the assignment of the Assigned Recourse Rights shall be equal to the Amount of Assigned Recourse Rights but shall be payable only to the extent and when there are enough cash proceeds to be applied by the Security Agent to pay such Assigned Recourse Rights Deferred Consideration in accordance with the waterfall provisions of the New Intercreditor Agreement as described under *"—Application of proceeds"* below.

### **Application of proceeds**

Subject to certain exceptions as set out therein, the New Intercreditor Agreement will provide that all amounts from time to time received or recovered by the Security Agent (acting on the instructions of an Instructing Group) in connection with the realization or enforcement of all or any part of the Transaction Security or a transaction in lieu of enforcement of Transaction Security and all amounts received by the Security Agent from another Creditor pursuant to the turnover provisions described under *"—Turnover"* above will be held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of the New Intercreditor Agreement) in the following order of priority:

- first, in payment or distribution to:
  - (a) the Security Agent, any receiver or any delegate for application towards the discharge of any sums owing to any of them from any party to the New Intercreditor Agreement; and then
  - (b) each Super Senior Debt Representative on its own behalf for application towards the discharge of the Super Senior Debt Representative liabilities (in accordance with the terms of the Super Senior Debt Documents);
  - (c) the Senior Secured Notes Trustee on its own behalf for application towards the discharge of the Trustee Amounts (in accordance with the Senior Secured Notes Finance Documents);
  - (d) each Pari Passu Debt Representative on its own behalf for application towards the discharge of Pari Passu Debt Representative Amounts (in accordance with the Pari Passu Debt Documents);
  - (e) each Second Lien Debt Representative (including the Senior Subordinated Notes Trustee) on its own behalf for application towards the discharge of the Second Lien Debt Representative Amounts or Trustee Amounts (in accordance with the Second Lien Debt Documents); and
  - (f) each Senior Debt Representative on its own behalf for application towards the discharge of the Senior Debt Representative Amounts (in accordance with the Senior Debt Documents),

on a *pro rata* basis and ranking *pari passu* between (i)-(vi), and in the case of (ii), (iii), (iv), (v) and (vi) above, including any such amounts arising in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the New Intercreditor Agreement;

- second, in payment or distribution to the Secured Parties or the Second Lien Debt Creditors of all costs and expenses incurred by any of them in connection with any realization or enforcement of the Transaction Security, in each case taken in accordance with the terms of the New Intercreditor Agreement;
- third, (if the Foreclosure Date has occurred) in payment or distribution to the Foreclosed Asset Holders of their tax liabilities (if any) (in each case on a pro rata and pari passu basis amongst themselves);
- fourth, (if the Foreclosure Date has occurred), in payment or distribution to the Foreclosed Asset Holders which have paid all or part of any Soutte in connection with the enforcement of any Security Document in an amount equal to the amount of Soutte paid by them and not previously recovered (in each case on a pro rata and pari passu basis amongst themselves);
- fifth, (subject to the relevant provisions contained in the New Intercreditor Agreement dealing with new financings after the Foreclosure Date), in payment or distribution, or repayment of all costs, expenses, interest and principal amounts due to the relevant creditors under any new financings after the Foreclosure Date (if any) (in each case on a *pro rata* and *pari passu* basis amongst themselves);
- sixth, in payment or distribution to:
  - (a) each Super Senior Debt Representative on behalf of the arrangers under the Super Senior Debt Documents (the "**Arrangers**") and the Super Senior Debt Creditors; and
  - (b) the Hedge Counterparties,

for application towards:

- (i) the liabilities of the Arrangers and the Super Senior Debt Liabilities (in accordance with the terms of the Super Senior Debt Documents); and
- (ii) the Priority Hedging Liabilities,

(other than amounts discharged pursuant to the fourth ranking item in this order of priority) on a *pro rata* basis and *pari passu* between paragraphs (A) and (B) above;

- seventh, in payment or distribution to:
  - (a) the Senior Secured Notes Trustee on behalf of the Senior Secured Noteholders or, if there is no Senior Secured Notes Trustee acting on behalf of any relevant Senior Secured Noteholders, such Senior Secured Noteholders;
  - (b) each Pari Passu Debt Representative on behalf of Pari Passu Creditors or, if there is no Pari Passu Debt Representative acting on behalf of any relevant Pari Passu Creditors, such Pari Passu Creditors;
  - (c) the Hedge Counterparties; and
  - (d) the Cash Management Providers,

for application towards:

- (i) the Senior Secured Notes Liabilities owed to the Senior Secured Noteholders (in accordance with the terms of the Senior Secured Notes Finance Documents);
- (ii) the Pari Passu Debt Liabilities owed to the Pari Passu Creditors (in accordance with the terms of the Pari Passu Debt Documents);
- (iii) the Cash Management Liabilities; and
- (iv) the Non Priority Hedging Liabilities,

(other than amounts discharged pursuant to the fourth ranking item in this order of priority) on a *pro rata* basis and *pari passu* between paragraphs (A) to (D) above;

- eighth, in payment to each Second Lien Debt Representative (including the Senior Subordinated Notes Trustee) on behalf of the Second Lien Debt Creditors for application

towards the Second Lien Debt Liabilities owed to the Second Lien Debt Creditors (in accordance with the terms of the Second Lien Debt Documents);

- ninth, to the extent paid out of enforcement proceeds resulting from the enforcement of Senior Debt Shared Security, the Senior Debt Guarantees or proceeds from an Exit Disposal in relation to assets which were previously subject to the Senior Debt Shared Security in payment or distribution to each Senior Debt Representative on behalf of the Senior Creditors or, if there is no Senior Debt Representative acting on behalf of any relevant Senior Creditors, such Senior Creditors for application towards the discharge of the Senior Debt Liabilities owed to the Senior Creditors;
- tenth (if the Foreclosure Date has occurred), *pro rata* and *pari passu* amongst themselves:
  - (a) to any Debtor, guarantor or Subordinated Creditor to which a Soulte has been paid or remains payable, in payment or distribution in an amount equal to such Soulte (and to the extent such Soulte has been already paid by any Secured Parties to such Debtor, guarantor or Subordinated Creditor, only to the extent that such Debtor, guarantor or Subordinated Creditor has turned such Soulte over to the Security Agent in accordance with the turnover provisions described under "*—Turnover*" above); and
  - (b) to any Debtor, guarantor or Subordinated Creditor, in payment or distribution of the Assigned Recourse Rights Deferred Consideration; and
- eleventh, the balance, if any, in payment or distribution to the relevant Debtor which is a subsidiary thereof or, if the Foreclosure Date has occurred, in payment or distribution to the Foreclosed Asset Holders (*pro rata* to each Foreclosed Asset Holder's holding of Foreclosed Assets).

"**Soulte**" means, in relation to any enforcement action occurring by way of Foreclosure, the amount by which the value of the Collateral so appropriated or foreclosed as a result of such Foreclosure (as determined in accordance with the relevant Transaction Security Document) exceeds the amount of the secured obligations secured under the corresponding Transaction Security Document immediately prior to such Foreclosure occurring (which, for the avoidance of doubt, shall not include any Assigned Recourse Rights arising from or in connection with such Foreclosure).

### ***Release of the guarantees and the security***

#### ***Distressed disposals***

The New Intercreditor Agreement provides that in relation to the disposal of an asset of a member of any Debtor which is subject to Transaction Security and which is being effected: at the request of an Instructing Group in circumstances where the Transaction Security has become enforceable; by enforcement, or simultaneous with the enforcement, of the Transaction Security; or after the occurrence of a Distress Event by or on behalf of a Debtor to a person outside of the Group (a "**Distressed Disposal**"), an Exit Disposal or a Foreclosure, the Security Agent is authorized to (i) release the Transaction Security or any other claim (including any Assigned Recourse Rights) over the relevant asset; (ii) if the relevant asset consists of shares in the capital of a Debtor to release that Debtor and any of its subsidiaries from all or any part of its liabilities in its capacity as a guarantor or a borrower (and certain other liabilities) under the Super Senior Debt Documents, the *Pari Passu* Debt Documents, the Senior Secured Notes Finance Documents, the Second Lien Debt Documents or the Senior Debt Documents and to release any Transaction Security granted by that Debtor or any of its subsidiaries over any of its assets and to release any other claim of a Subordinated Creditor, an Intra-Group Lender or another Debtor or other grantor of Transaction Security over that Debtor's assets or over the assets of any of its subsidiaries; (iii) if the relevant asset consists of shares in the capital of a holding company of a Debtor, to release that holding company and any of its subsidiaries from all or any part of their liabilities in their capacity as a guarantor or a borrower (and certain other liabilities) under the Super Senior Debt Documents, the *Pari Passu* Debt Documents, the Senior Secured Notes Finance Documents, the Second Lien Debt Documents or the Senior Debt Documents, and to release any Transaction Security granted by that holding company or any of its subsidiaries over any of its assets and to release any other claims of a Subordinated Creditor, an Intra-Group Lender or another Debtor over the assets of that holding company or any of its subsidiaries; (iv) if the relevant asset consists of shares in the capital of a Debtor or holding company of a Debtor and the Security Agent decides to dispose to another entity all or any part of the liabilities of that first Debtor or holding company or any subsidiaries of that first Debtor or holding company, then the Security Agent shall enter into any relevant

documentation provided that, if it is intended that the transferee Debtor should not be a Primary Creditor or secured party, the transferee Debtor shall not be treated as a Primary Creditor or secured party, and if it is intended that the transferee Debtor should be a Primary Creditor or secured party, then all (and not part) of the liabilities owed to Primary Creditors, and all or part of any other liabilities should be disposed; and (v) if the relevant asset consists of shares in the capital of a Debtor or holding company of a Debtor and the Security Agent decides to transfer to another Debtor all or any part of the first Debtor's obligations or any obligations of any subsidiary of that first Debtor in respect of liabilities owed to a Debtor, Intra-Group Liabilities or Subordinated Liabilities, transfer all or part of such obligations on behalf of the person to which they are owed and accept the transfer of those obligations on behalf of the transferee Debtor.

*The Security Agent must take reasonable care to obtain a fair market price in the prevailing market conditions and apply the proceeds of such disposal in accordance with "—Application of proceeds" above.*

#### *Non-distressed disposals*

In addition, if (a) a disposal relates to an asset of a Debtor (other than in respect of any assets subject to any Transaction Security granted by the Issuer), (b) subject to certification requirements, that disposal is not prohibited by or permitted under respectively (prior to the Super Senior Debt Discharge Date) the Super Senior Debt Documents, (prior to the Senior Secured Notes Discharge Date) the Senior Secured Notes Finance Documents or the Senior Secured Notes Trustee authorizes that release, (prior to the Pari Passu Debt Discharge Date) the Pari Passu Debt Documents, (prior to the Second Lien Debt Discharge Date) the Second Lien Debt Documents and (prior to the Senior Debt Discharge Date) the Senior Debt Documents or the Senior Debt Representative(s) authorizes that release and (c) that disposal is not a Distressed Disposal, the Security Agent is irrevocably authorized and obliged, at the cost of the relevant Debtor or the Issuer and without any consent, sanction, authority or further confirmation from any other party to the New Intercreditor Agreement, (i) to release (or procure that any other relevant person releases) the Transaction Security or any other claim (relating to a Debt Document) over that asset, (ii) where that asset consists of shares in the capital of a Debtor, to release the Transaction Security or any other claim (relating to a Debt Document) over that Debtor's assets, and, to the extent that they are at such time being disposed of, the assets of any subsidiary of that Debtor and, to the extent that they are at such time being disposed of, the subsidiaries of that Debtor and their respective assets, and (iii) to execute and deliver or enter into any release of the Transaction Security or any claim described in (i) and (ii) above and issue any certificates of non-crystallization of any floating charge or any consent to dealing that the Security Agent (acting reasonably) considers to be necessary or desirable.

Notwithstanding anything to the contrary in any Debt Document, nothing in any Security Document shall operate or be construed so as to prevent any transaction, matter or other step not prohibited by the terms of the New Intercreditor Agreement or any Debt Financing Agreement (a "**Permitted Transaction**"). The Security Agent (on behalf of itself and the Secured Parties) will (and is irrevocably authorized and instructed to do so without any consent, sanction, authority or further confirmation from any party to the New Intercreditor Agreement) that it shall (at the request and cost of the relevant Debtor or the Issuer) promptly execute any release or other document and/or take such other action under or in relation to any Debt Document (or any asset subject or expressed to be subject to any Security Document) as is requested by the Issuer in order to complete, implement or facilitate a Permitted Transaction.

#### ***Conditions to release—second lien debt protection***

If before the Second Lien Debt Discharge Date a Distressed Disposal is being effected such that any second lien liabilities and/or Transaction Security will be released as described under "*—Distressed disposals*" above, it is a further condition to any such release or disposal that either (1) the relevant Second Lien Debt Representative (including the Senior Subordinated Notes Trustee) has approved the release and/or the disposal or (2) where such shares or assets are sold or disposed of:

- (i) the proceeds of such sale or disposal are in cash (or substantially in cash);
- (ii) all claims of the Primary Creditors against any member of the Group and any subsidiary of that member of the Group whose shares that are owned by a Debtor are pledged in favor of the Primary Creditors are sold or disposed of pursuant to such Distressed Disposal, are unconditionally released and discharged concurrently with such sale (and are not assumed by the purchaser

or one of its affiliates), and all security under the Security Documents in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale *provided* that in the event of a sale or disposal of any such claim (instead of a release or discharge):

- (A) the Instructing Group determines acting reasonably and in good faith that the Secured Creditors (taken as a whole) will recover more than if such claim was released or discharged; and
  - (B) the representative(s) in respect of the Instructing Group serve a notice on the Security Agent notifying the Security Agent of the same, in which case the Security Agent shall be entitled immediately to sell and transfer such claim to such purchaser (or an affiliate of such purchaser); and
- (iii) such sale or disposal is made:
- (A) pursuant to a public auction or other competitive sale process specified in the New Intercreditor Agreement; or
  - (B) where a financial adviser confirms that the sale, disposal or transfer price is fair from a financial point of view after taking into account all relevant circumstances, although there shall be no obligation to postpone any such sale, disposal or transfer in order to achieve a higher price.

**Conditions to release—senior debt protection**

If before the Senior Debt Discharge Date:

- (a) a Distressed Disposal is being effected such that the senior subordinated guarantees in respect of the Senior Debt and/or Senior Debt Shared Security will be released as described under "*—Distressed disposals*" above;
- (b) an Exit Disposal in respect of assets which were Collateral under Senior Debt Shared Security, which were subject to Transaction Security over Investment Instruments in the Senior Debtor or any of its holding companies or were owned by a Senior Debt Guarantor is being effected after the Senior Debt Guarantees and Senior Debt Shared Security have been released as described under "*—Distressed disposals*" above following a Foreclosure,

it is a further condition to any such release or disposal that either (1) the relevant Senior Debt Representative has approved the release and/or the disposal or (2) where such shares or assets are sold or disposed of:

- (i) the proceeds of such sale or disposal are in cash (or substantially in cash);
- (ii) all claims of the Primary Creditors against any member of the Group and any subsidiary of that member of the Group whose shares that are owned by a Debtor are pledged in favor of the Primary Creditors are sold or disposed of pursuant to such Distressed Disposal or such Exit Disposal, are unconditionally released and discharged concurrently with such sale (and are not assumed by the purchaser or one of its affiliates), and all security under the Security Documents in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale *provided* that in the event of a sale or disposal of any such claim (instead of a release or discharge):
  - (A) the Instructing Group determines acting reasonably and in good faith that the Secured Creditors (taken as a whole) will recover more than if such claim was released or discharged; and
  - (B) the representative(s) in respect of the Instructing Group serve a notice on the Security Agent notifying the Security Agent of the same, in which case the Security Agent shall be entitled immediately to sell and

transfer such claim to such purchaser (or an affiliate of such purchaser); and

- (iii) such sale or disposal is made:
  - (A) pursuant to a public auction or other competitive sale process specified in the New Intercreditor Agreement; or
  - (B) where a financial adviser confirms that the sale, disposal or transfer price is fair from a financial point of view after taking into account all relevant circumstances, although there shall be no obligation to postpone any such sale, disposal or transfer in order to achieve a higher price.

### **Amendment**

Subject to certain exceptions, usual disenfranchisement provisions and customary "snooze you lose" provisions (under which creditors may lose their right to vote if they delay doing so within 10 business days), the New Intercreditor Agreement provides that it may only be amended with the consent of the Issuer, the Super Senior Debt Required Holders, the requisite majority of Pari Passu Creditors, the Second Lien Debt Required Holders, the Senior Secured Notes Trustee, the Senior Subordinated Notes Trustee, each Senior Debt Representative and the Security Agent unless (i) such amendments are made to cure defects or omissions, resolve ambiguities or inconsistencies or reflect changes of a minor, technical or administrative nature or as otherwise prescribed by the relevant Debt Documents, which amendments may be made by the Issuer and the Security Agent or (ii) such amendments are made to meet the requirements of any person proposing to act as a creditor representative which are customary for persons acting in such capacity and would not have a material adverse effect on the other parties to the New Intercreditor Agreement, which amendments may be made by the Issuer and the Security Agent. No amendment or waiver of the New Intercreditor Agreement may impose new or additional obligations on or withdraw or reduce the rights of any party to the New Intercreditor Agreement without their prior consent other than, in the case of a Primary Creditor, in a way which affects or would affect Primary Creditors of that party's class generally or, in the case of a Debtor, to the extent consented to by the Issuer.

An amendment or waiver to the New Intercreditor Agreement that relates to, inter alia, certain of the matters described under "*Manner of enforcement of transaction security*" and "*Security enforcement principles*" and to the Security Enforcement Principles may be made by the Super Senior Debt Required Holders and the Majority Senior Secured Creditors acting through the relevant representative.

The Security Agent may amend the terms of, waive any of the requirements of, or grant consents under, any of the Transaction Security Documents acting on the instructions of each representative of creditors that are secured by the relevant Transaction Security Documents, with the consent of the Issuer, unless provided otherwise under the relevant documents.

### **Option to purchase: senior secured notes creditors and pari passu creditors**

After a Distress Event (and until the date which is the earlier of (i) a Foreclosure occurring in respect of Investment Instruments issued by the Issuer or 3AB Optique Développement and (ii) a public auction or competitive sale process specified in the New Intercreditor Agreement occurring in respect of Investment Instruments issued by the Issuer or 3AB Optique Développement), by giving not less than 10 days' prior written notice to the Security Agent, the Senior Secured Noteholders and Pari Passu Creditors will have the right to acquire or procure that a nominee (or nominees) acquires by way of transfer all (but not part only) of the rights, benefits and obligations in respect of Super Senior Debt Creditor Liabilities and the Hedging Liabilities constituting Priority Hedging.

Any such purchase will be on terms which will include, without limitation, payment in full of an amount equal to all (but not part) of the Super Senior Debt Creditor Liabilities and Hedging Liabilities constituting Priority Hedging then outstanding, including certain costs and expenses of the Super Senior Debt Representative and/or the Super Senior Debt Creditors and Hedge Counterparties; after the transfer, no Super Senior Debt Creditor or Hedge Counterparty (in respect of Priority Hedging) will be under any actual or contingent liability to any Debtor or any other person under the relevant Debt Documents; the acquiring entities indemnify each Super Senior Debt Creditor and Hedge Counterparty for any actual or alleged obligation to repay or claw back any amount received by such Super Senior Debt Creditor or Hedge Counterparty; the relevant transfer shall be without recourse to, or warranty from, any Super

Senior Debt Creditor or Hedge Counterparty, save for certain representations relating to corporate power and authority to effect the transfer as set out in the New Intercreditor Agreement; and neither the Second Lien Debt Creditors nor the Senior Debt Creditors have exercised their rights described below in "*Option to purchase: Senior Debt Creditors*", or, having exercised such rights, the Senior Debt Creditors or, as the case may be, the Second Lien Debt Creditors have failed to complete the acquisition of the relevant Senior Secured Liabilities and Super Senior Liabilities as described below in "*Option to purchase: Senior Debt Creditors*" or, as the case may be, "*Option to purchase; second lien debt creditors*".

***Option to purchase: senior debt creditors***

After a Distress Event (and until the earlier of Foreclosure or a public auction or competitive sale process specified in the New Intercreditor Agreement, in each case in respect of Investment Instruments issued by the Issuer or 3AB Optique Développement) by giving not less than 10 days' notice to the Security Agent, the Senior Debt Creditors will have the right to acquire or procure that a nominee (or nominees) acquires by way of transfer all (but not part only) of the rights, benefits and obligations in respect of Super Senior Debt Creditor Liabilities, the Senior Secured Debt Liabilities, the Pari Passu Debt Liabilities and the Second Lien Debt Liabilities.

Any such purchase will be on terms which will include, without limitation, payment in full of an amount equal to all (but not part) of the relevant liabilities then outstanding, including certain costs and expenses of the Super Senior Debt Representative and/or the Super Senior Debt Creditors, Hedge Counterparties, Senior Secured Notes Trustee on behalf of the Senior Secured Notes Creditors, the Pari Passu Debt Representative(s) on behalf of the Pari Passu Creditors and the Second Lien Debt Representative(s) on behalf of the Second Lien Debt Creditors (including the Senior Subordinated Notes Trustee on behalf of the Senior Subordinated Noteholders); after the transfer, no Super Senior Debt Creditor, Hedge Counterparty, Senior Secured Notes Creditor, Pari Passu Creditor or Second Lien Debt Creditor will be under any actual or contingent liability to any Debtor or any other person under the relevant Debt Documents; the acquiring entities indemnify each relevant transferring Creditor for any actual or alleged obligation to repay or claw back any amount received by such transferring Creditor; and the relevant transfer shall be without recourse to, or warranty from, any transferring Creditor, save for certain representations relating to corporate power and authority to effect the transfer as set out in the New Intercreditor Agreement.

***Option to purchase: second lien debt creditors***

After a Distress Event (and until the earlier of Foreclosure or a public auction or competitive sale process specified in the New Intercreditor Agreement, in each case in respect of Investment Instruments issued by the Issuer or 3AB Optique Développement) by giving not less than 10 days' notice to the Security Agent, the Second Lien Debt Representative (including the Senior Subordinated Notes Trustee) (on behalf of the Second Lien Debt Creditors) will have the right to acquire or procure that a nominee (or nominees) acquires by way of transfer all (but not part only) of the rights, benefits and obligations in respect of Super Senior Debt Creditor Liabilities, the Hedging Liabilities, the Senior Secured Liabilities Notes, the Pari Passu Debt and Cash Management Liabilities.

Any such purchase will be on terms which will include, without limitation, payment in full of an amount equal to all (but not part) of the relevant liabilities then outstanding, including certain costs and expenses of the Super Senior Debt Representative and/or the Super Senior Debt Creditors, Hedge Counterparties, Senior Secured Notes Trustee on behalf of the Senior Secured Notes Creditors, and the Pari Passu Debt Representative(s) on behalf of the Pari Passu Creditors; after the transfer, no Super Senior Debt Creditor, Hedge Counterparty, Senior Secured Notes Creditor or Pari Passu Creditor will be under any actual or contingent liability to any Debtor or any other person under the relevant Debt Documents; the acquiring entities indemnify each relevant transferring Creditor for any actual or alleged obligation to repay or claw back any amount received by such transferring Creditor; and the relevant transfer shall be without recourse to, or warranty from, any transferring Creditor, save for certain representations relating to corporate power and authority to effect the transfer as set out in the New Intercreditor Agreement.

***Other provisions***

The New Intercreditor Agreement also includes provisions relating to:

- redistribution of amounts;



- protection and appointment provisions relating to the Senior Secured Notes Trustee, the Senior Subordinated Notes Trustee and agents;
- guarantees in respect of hedging agreements;
- accession and resignation of parties; and
- parallel debt claims.

### **Termination**

The New Intercreditor Agreement shall terminate on the date the Security Agent is reasonably satisfied that (i) all liabilities owed by a member of the Group under the Debt Documents (other than the Subordinated Liabilities) have been discharged in full in cash or (ii) there are no cash proceeds or recoveries whatsoever which may be turned over to it and applied by it in accordance with the provisions of the New Intercreditor Agreement.

### **Governing law**

The New Intercreditor Agreement is governed by English law.

### **Shareholder Bonds**

In connection with the acquisition of the Group by the current shareholders on July 17, 2012, the Issuer issued €203.3 million aggregate principal amount of convertible bonds to Lion / Seneca Lux 2 and Holding AA-OC S.à r.l., which were convertible into common shares and category D preferred shares of the Issuer. The Issuer convertible bonds which were convertible into category D preferred shares were fully reimbursed on July 31, 2019. The Shareholder Bonds bear interest at a fixed rate of 14.0% per annum, which is capitalized on July 31 of each year and payable in full on the maturity date, July 17, 2027. As of January 31, 2021, €299.9 million, including principal and accrued and unpaid interest, was outstanding under the Shareholder Bonds.

On or prior to the Issue Date, €135.0 million of the Shareholder Bonds will be repaid by the Issuer to its shareholders in connection with the partial repayment of the Shareholder Bonds. As of January 31, 2021, as adjusted for the Transactions, €157.8 million of the Shareholder Bonds (€164.9 million including accrued interest) remained outstanding.

### **Assignment of Accounts Receivable**

We use Daily assignments (*cessions Daily*), which is a simplified form of assignment of receivables under French law, to assign certain accounts receivable to financial institutions in exchange for the extension of cash advances by such financial institutions. Pursuant to such assignments, franchisees make direct payments on the accounts receivable to the financial institution. If the relevant franchisee has not made payment in full on the accounts receivable by the relevant date, we are required to pay the difference between the amount assigned and the amount already paid to the financial institution by such franchisee. In the six months ended January 31, 2021, these lines were unutilized. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and capital resources—Off-balance sheet commitments"*.

### **Guarantee Facilities**

Alain Afflelou Franchiseur is party to a number of off-balance sheet guarantee framework agreements with financial institutions (the **"Guarantee Facilities"**) pursuant to which it has procured financing facilities making term loans available to franchisees guaranteed by Alain Afflelou Franchiseur up to a certain amount (referred to as a "bill"). This arrangement facilitates access to credit for franchisees. We also assist franchisees in collecting and preparing the necessary documentation to obtain the loan, although the relevant financial institution is responsible for credit approval. Depending on the particular arrangement, funds borrowed under the guarantee facilities can be used by our franchisees for working capital or capital expenditure purposes. The guarantees provided thereunder make Alain Afflelou Franchiseur jointly and severally liable for debt incurred by the relevant franchisees, with our total aggregate commitment capped at a certain amount. The guarantee facilities do not oblige the relevant financial institution to approve any loan applications by franchisees. Our most significant guarantee facilities are only available to our franchisees located in metropolitan France and expressly exclude our directly-owned stores. Our guarantee facilities are governed by French law. As of January 31, 2021, securities and bank guarantees granted to banks financing franchisees in France and Spain totaled €15.0 million.

## Description of the Senior Secured Notes

You will find definitions of certain capitalized terms used in this Description of the Senior Secured Notes under the heading "Certain definitions". For purposes of this Description of the Senior Secured Notes, (i) references to the "Issuer" refer only to Afflelou and not to any of its subsidiaries and (ii) references to "we", "our", "us" or "Group" refer to the Issuer and the Issuer's Restricted Subsidiaries.

Afflelou (the "Issuer") will issue €410.0 million aggregate principal amount of % senior secured notes due 2026 (the "Senior Secured Notes") under an indenture to be dated , 2021 (the "Senior Secured Notes Indenture"), among, *inter alios*, itself, certain subsidiaries of the Issuer that Guarantee the Senior Secured Notes ("Senior Secured Notes Guarantors"), U.S. Bank Trustees Limited, as trustee (the "Senior Secured Notes Trustee") and as security agent (the "Security Agent"), in a private transaction that is not subject to the registration requirements of the U.S. Securities Act of 1933, as amended. See "Notice to investors".

The Senior Secured Notes Indenture will be unlimited in aggregate principal amount, of which €410.0 million in aggregate principal amount of Senior Secured Notes will be issued in this offering. We may issue an unlimited aggregate principal amount of additional Senior Secured Notes subject to the provisions of the Senior Secured Notes Indenture, including the covenant restricting the Incurrence of Indebtedness (as described below under "*Certain covenants—Limitation on Indebtedness*") and the Incurrence of Liens (as described below under "*Certain covenants—Limitation on Liens*") and the provisions described below under "*Additional Senior Secured Notes*". Unless the context otherwise requires, in this Description of the Senior Secured Notes, references to the "Senior Secured Notes" include the Senior Secured Notes and any Additional Senior Secured Notes that are actually issued. The terms of the Senior Secured Notes include those set forth in the Senior Secured Notes Indenture. The Senior Secured Notes Indenture will not be qualified under, or incorporate or include any of the provisions of, or be subject to, the U.S. Trust Indenture Act of 1939, as amended.

This Description of the Senior Secured Notes is intended to be an overview of the material provisions of the Senior Secured Notes and the Senior Secured Notes Indenture. Since the following description is only a summary, you should refer to the Senior Secured Notes Indenture, the form of Senior Secured Notes and the New Intercreditor Agreement for complete descriptions of the obligations of the Issuer and the Senior Secured Notes Guarantors and your rights because they, and not this summary, define your rights as Holders of the Senior Secured Notes. Copies of the Senior Secured Notes Indenture, form of Senior Secured Notes and the New Intercreditor Agreement are available as set forth under "*Listing and General Information*".

The registered Holder of a Senior Secured Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Senior Secured Notes Indenture.

### GENERAL

#### The Senior Secured Notes

The Senior Secured Notes will, upon issuance:

- be general senior secured obligations of the Issuer;
- be guaranteed on a senior basis by the Senior Secured Notes Guarantors, subject to the limitations described in "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*";
- be secured as set forth below under "*—Security*" along with obligations under the New Revolving Credit Facility and, if any, certain Hedging Obligations and certain other future indebtedness; however, Holders of the Senior Secured Notes will receive proceeds from enforcement of the Senior Secured Notes Collateral and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the New Revolving Credit Facility and, if any, certain Hedging Obligations and certain other future indebtedness, have been repaid in full;
- 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 Senior Secured Notes, including the Senior Subordinated Notes;

- rank *pari passu* in right of payment among themselves and with any existing and future indebtedness of the Issuer that is not expressly subordinated in right of payment to the Senior Secured Notes, including the obligations of the Issuer under the New Revolving Credit Facility, and, if any, certain Hedging Obligations;
- be structurally subordinated to any existing and future indebtedness of Subsidiaries of the Issuer that are not Senior Secured Notes Guarantors and existing and future of indebtedness of Senior Secured Notes Guarantors in excess of the principal amount of Senior Secured Notes guaranteed by such Senior Secured Notes Guarantors, including obligations owed to trade creditors and, to the extent drawings are borrowed by such non-Senior Secured Notes Guarantor subsidiaries, obligations under the New Revolving Credit Facility; and
- be effectively subordinated to any existing and future indebtedness of the Issuer that is secured by property or assets that do not secure the Senior Secured Notes, to the extent of the value of such property and assets securing such indebtedness.

### **The Senior Secured Notes Guarantees**

The Senior Secured Notes will be guaranteed on a senior basis (the "*Senior Secured Notes Guarantees*") (i) on the Issue Date by 3AB Optique Développement and Alain Afflelou Franchiseur (the "*Issue Date Senior Secured Notes Guarantors*") and (ii) within 60 days of the Issue Date, by Alain Afflelou International, 3ABOE, LSFA and L'Opticien Afflelou (the "*Post-Issue Date Senior Secured Notes Guarantors*" and, together with the Issue Date Guarantors, the "*Senior Secured Notes Guarantors*").

Each Senior Secured Notes Guarantee of the Senior Secured Notes will, upon issuance:

- be a general senior obligation of the Senior Secured Notes Guarantor that granted such Senior Secured Notes Guarantee;
- be secured by first-priority liens on the Senior Secured Notes Collateral of that Senior Secured Notes Guarantor as described below under "*Security*" along with obligations under the New Revolving Credit Facility Agreement and, if any, certain Hedging Obligations and certain other future indebtedness; however, Holders of the Senior Secured Notes will receive proceeds from enforcement of the Senior Secured Notes Collateral and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the New Revolving Credit Facility Agreement and, if any, certain Hedging Obligations and certain other future indebtedness, have been repaid in full;
- rank senior in right of payment to any existing and future indebtedness of that Senior Secured Notes Guarantor that is expressly subordinated in right of payment to its Senior Secured Notes Guarantee, including its obligations under its Senior Subordinated Notes Guarantee;
- rank *pari passu* in right of payment with any existing and future indebtedness of that Senior Secured Notes Guarantor that is not expressly subordinated in right of payment to its Senior Secured Notes Guarantee, including its obligations under the New Revolving Credit Facility and certain Hedging Obligations, if any;
- be effectively subordinated to any existing and future indebtedness of that Senior Secured Notes Guarantor that is secured by property or assets other than the Senior Secured Notes Collateral of that Senior Secured Notes Guarantor, to the extent of the value of such property and assets, including the equipment and other assets securing that Senior Secured Notes Guarantor's lease obligations; and
- be structurally subordinated to any existing and future indebtedness of Subsidiaries of that Senior Secured Notes Guarantor (other than Subsidiaries that are or that become Senior Secured Notes Guarantors), including obligations owed to trade creditors, bilateral facilities and, to the extent drawings are borrowed by such non-Senior Secured Notes Guarantors subsidiaries, obligations under the New Revolving Credit Facility.

The obligations of the Senior Secured Notes Guarantors will be contractually limited under the Senior Secured Notes Guarantees to reflect limitations under applicable law. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—Corporate benefit, financial assistance laws and other limitations on the Guarantees or the security interests may adversely affect the validity and enforceability of the Guarantees of the Notes or security interests in the Collateral*" and "*Certain*

*Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*". In particular, the Senior Secured Notes Guarantee of the Senior Secured Notes Guarantors incorporated in France will be limited to the outstanding amounts under the proceeds loans extended, directly or indirectly, to the relevant Senior Secured Notes Guarantor using the proceeds of the Senior Secured Notes. Only 3AB Optique Développement, Alain Afflelou Franchiseur and L'Opticien Afflelou will receive proceeds of the Senior Secured Notes, and these proceeds loans will represent only a portion of the aggregate principal amount of the Senior Secured Notes. In certain cases, these limitations may apply to the Senior Secured Notes Guarantees, but not the Senior Secured Notes Guarantors' obligations under other debt, including the New Revolving Credit Facility. For the twelve months ended January 31, 2021, the Issuer and the Senior Secured Notes Guarantors generated 75.5% of our revenue, 89.5% of our Adjusted EBITDA and as of January 31, 2021, constituted 89.4% of our total assets (in each case gross of intercompany balances and consolidation eliminations).

Pursuant to the New Intercreditor Agreement, after an acceleration event in respect of the Senior Secured Notes, the New Revolving Credit Facility or other debt subject to the New Intercreditor Agreement, neither the Issuer nor the Senior Secured Notes Guarantors may make payments in respect of the Senior Secured Notes or the Senior Secured Notes Guarantees except in connection with the realization or enforcement of the Senior Secured Notes Collateral or a transaction in lieu of such enforcement or all amounts turned over to the Security Agent as described under "*Description of Certain Other Indebtedness and Other Arrangements—New Intercreditor Agreement*", in which case such payments will be applied in respect of the New Revolving Credit Facility Agreement, certain Hedging Obligations, if any, and certain other future indebtedness until such obligations are repaid in full prior to the repayment of the Senior Secured Notes. See "*Description of Certain Other Indebtedness and Other Arrangements—New Intercreditor Agreement*".

### **Principal and maturity**

The Issuer will issue €410.0 million aggregate principal amount of Senior Secured Notes on the Issue Date. The Senior Secured Notes will mature on \_\_\_\_\_, 2026. The Senior Secured Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

### **Interest**

#### *Interest on the Senior Secured Notes*

Interest on the Senior Secured Notes will accrue at the rate of \_\_\_\_\_ % per annum. Interest on the Senior Secured Notes will:

accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid;

be payable in cash semi-annually in arrears on each \_\_\_\_\_ and \_\_\_\_\_, commencing on \_\_\_\_\_, 2021;

be payable to the Holder of record of such Senior Secured Notes on the Business Day immediately preceding the related interest payment date (except for Definitive Registered Notes, if any are issued under the Senior Secured Notes Indenture, which will have a record date of 15 days prior to any interest payment date as further described under "*—Transfer and Exchange*"); and

be computed on the basis of a 360-day year comprised of twelve 30-day months.

#### *Payments of Interest on the Senior Secured Notes*

The rights of Holders of beneficial interests in the Senior Secured Notes to receive the payments of interest on such Senior Secured Notes are subject to applicable procedures of Euroclear Bank SA/NV ("*Euroclear*") and Clearstream Banking S.A. ("*Clearstream*"). If the due date for any payment in respect of any Senior Secured Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

### **Methods of receiving payments on the Senior Secured Notes**

Principal, interest and premium, if any, on the Global Notes will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to Senior Secured Notes represented by one or more Global Notes registered in the name of or held by a nominee of

Euroclear or Clearstream, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, interest and premium, if any, on any certificated securities ("*Definitive Registered Notes*") will be payable at the specified office or agency of one or more Paying Agents in the United Kingdom. In addition, interest on the Definitive Registered Notes may be paid by check mailed to the Person entitled thereto as shown on the register for the Definitive Registered Notes. See "*—Paying Agent and Registrar for the Senior Secured Notes*".

### **Paying Agent and Registrar for the Senior Secured Notes**

The Issuer will maintain one or more Paying Agents for the Senior Secured Notes, including in the United Kingdom. The initial Paying Agent will be Elavon Financial Services DAC.

The Issuer will also maintain one or more registrars (each, a "*Registrar*") with offices in Ireland. The initial Registrar will be Elavon Financial Services DAC. The initial transfer agent will be Elavon Financial Services DAC. The Registrar and the transfer agent will maintain a register reflecting ownership of Definitive Registered Notes, if issued, outstanding from time to time and will make payments on and facilitate transfers of Definitive Registered Notes on behalf of the Issuer. Upon demand by the Issuer, the Registrar shall (at the expense of the Issuer) send a copy of the register reflecting ownership of Definitive Registered Notes outstanding from time to time maintained by it to the Issuer and the Issuer shall keep such copy of the register at its registered office.

The Issuer may change the Paying Agents, the Registrars or the transfer agents without prior notice to the Holders. For so long as the Senior Secured Notes are listed on the Official List of Euronext Dublin and admitted for trading on the Global Exchange Market and the rules of Euronext Dublin so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or transfer agent in a newspaper having a general circulation in Ireland (which is expected to be *The Irish Times*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of Euronext Dublin (<https://www.euronext.com/en/markets/dublin>).

### **Transfer and exchange**

The Senior Secured Notes will be issued in the form of one or more registered notes in global form without interest coupons attached, as follows:

Senior Secured 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.

Senior Secured 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 and/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 Senior Secured Notes Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Regulation S Book-Entry Interests may be transferred to a Person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Senior Secured Notes Indenture) to the effect that such transfer is being made to a Person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer restrictions*" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Senior Secured Notes 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 Senior Secured Notes Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Transfer restrictions*".

Subject to the restrictions on transfer referred to above, Senior Secured 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 to Persons who take delivery thereof in the form of Definitive Registered Notes. In connection with any such transfer or exchange, the Senior Secured Notes Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, 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 or exchange.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Senior Secured Notes:

- (1) for a period of 15 days prior to any date fixed for the redemption of the Senior Secured Notes;
- (2) for a period of 15 days immediately prior to the date fixed for selection of Senior Secured Notes to be redeemed in part;
- (3) for a period of 15 days prior to the record date with respect to any interest payment date; or
- (4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Senior Secured Notes Trustee, the Paying Agent, the Security Agent, the Registrar and any transfer agent will be entitled to treat the registered Holder of a Senior Secured Note as the owner of it for all purposes.

To the extent Definitive Registered Notes have been issued, the Issuer will make each interest payment to the Holders of record of such Definitive Registered Notes on the date that is 15 days prior to any such interest payment date.

#### **ADDITIONAL SENIOR SECURED NOTES**

From time to time, subject to the Issuer's compliance with the covenants described under the headings "*Certain covenants—Limitation on Indebtedness*" and "*Certain covenants—Limitation on Liens*", the Issuer is permitted to issue additional Senior Secured Notes ("*Additional Senior Secured Notes*"), which shall have the terms set out in an Officer's Certificate supplied to the Senior Secured Notes Trustee. Such Additional Senior Secured Notes will be treated, along with all other series of Senior Secured Notes, as a single class for the purposes of the Senior Secured Notes Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for such series; *provided* that Additional Senior Secured Notes will not be issued with the same CUSIP, ISIN or common

code, as applicable, as existing Senior Secured Notes unless such Additional Senior Secured Notes are fungible with the existing Senior Secured Notes for U.S. federal income tax purposes. In the Issuer's sole discretion, the aforementioned Officer's Certificate may include provisions pertaining to the redemption of such Additional Senior Secured Notes, in whole or in part, including, but not limited to, any special mandatory redemption in the event that the release from any escrow into which proceeds of the issuance of such Additional Senior Secured Notes are deposited is conditioned on the consummation of any acquisition, Investment, refinancing or other transaction (such redemption, a "*Special Mandatory Redemption*"). In addition, such Officer's Certificate may include provisions pursuant to which such Additional Senior Secured Notes are issued bearing a temporary CUSIP, ISIN or common code pending the satisfaction of certain conditions, such as the consummation of an acquisition, and such Additional Senior Secured Notes bearing a temporary CUSIP, ISIN or common code may be automatically exchanged for new Additional Senior Secured Notes bearing the same ISIN or common code as the Senior Secured Notes issued on the Issue Date; *provided* that such Additional Senior Secured Notes are fungible with the Senior Secured Notes issued on the relevant issue date for U.S. federal income tax purposes. Unless the context otherwise requires, for all purposes of the Senior Secured Notes Indenture and this Description of the Senior Secured Notes, references to "Senior Secured Notes" shall be deemed to include references to the Senior Secured Notes initially issued on the Issue Date as well as any Additional Senior Secured Notes.

#### **RESTRICTED SUBSIDIARIES AND UNRESTRICTED SUBSIDIARIES**

On the Issue Date, all of the Issuer's direct and indirect Subsidiaries will be Restricted Subsidiaries. In the circumstances described below under "*Certain definitions—Unrestricted Subsidiary*", the Issuer will be permitted to designate Restricted Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants contained in the Senior Secured Notes Indenture. Unrestricted Subsidiaries will not Guarantee the Senior Secured Notes.

#### **SENIOR SECURED NOTES GUARANTEES**

##### **General**

The Senior Secured Notes will be Guaranteed by each Senior Secured Notes Guarantor. These Senior Secured Notes Guarantees will be joint and several obligations of the Senior Secured Notes Guarantors. Each Senior Secured Notes Guarantee is a full and unconditional Guarantee of the Issuer's obligations under the Senior Secured Notes, subject to the contractual limitations discussed below.

The obligations of the Senior Secured Notes Guarantors will be contractually limited under the applicable Senior Secured Notes Guarantees to reflect limitations under applicable law and the Agreed Security Principles with respect to, among other things, maintenance of share capital, corporate benefit, fraudulent preference or conveyance and other legal restrictions applicable to the Senior Secured Notes Guarantors and their respective shareholders, directors and general partners. For a description of such contractual limitations, see "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*".

Not all of the Issuer's Subsidiaries will Guarantee the Senior Secured Notes. In the event of a bankruptcy, liquidation, winding up or reorganization of any of these non-Senior Secured Notes Guarantor Subsidiaries, the non-Senior Secured Notes 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.

As the Issuer has limited assets of its own other than its shares in its Subsidiaries, the Issuer is dependent upon its Subsidiaries for cash to service interest, principal and other payments on the Senior Secured Notes. The operations of the Issuer are conducted primarily through its Subsidiaries and therefore the Issuer depends on the cash flow of such Subsidiaries to possess adequate cash to ensure it can meet its obligations under the Senior Secured Notes. The Senior Secured Notes and the Senior Secured Notes Guarantees will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of the Issuer's non-Senior Secured Notes Guarantor Subsidiaries. Any right of the Issuer or any Senior Secured Notes Guarantor to receive assets of any of its non-Senior Secured Notes Guarantor Subsidiaries upon that non-Senior Secured Notes Guarantor Subsidiary's liquidation, winding up or reorganization (and the consequent right of the Holders of the Senior Secured Notes to participate in those assets) will be effectively subordinated to the claims of that non-Senior Secured Notes Guarantor Subsidiary's creditors, except to the extent that the Issuer or such Senior Secured Notes Guarantor is itself recognized as a creditor of the non-Senior Secured Notes Guarantor Subsidiary, in which case the claims of the Issuer or such Senior Secured Notes Guarantor, as the case may be, would still be

subordinated in right of payment to any security in the assets of the non-Senior Secured Notes Guarantor Subsidiary and any Indebtedness of the non-Senior Secured Notes Guarantor Subsidiary senior to that held by the Issuer or such Senior Secured Notes Guarantor. See *"Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The Notes will be structurally subordinated to the liabilities of the Issuer's non-guarantor subsidiaries"*.

### **Subsequent Senior Secured Notes Guarantees**

The Issuer may from time to time designate a Restricted Subsidiary as an additional guarantor of the Senior Secured Notes (an *"Additional Senior Secured Notes Guarantor"*) by causing it to execute and deliver to the Senior Secured Notes Trustee a supplemental indenture in the form attached to the Senior Secured Notes Indenture, pursuant to which such Restricted Subsidiary will become a Senior Secured Notes Guarantor.

Each Additional Senior Secured Notes Guarantor will, jointly and severally with the Senior Secured Notes Guarantors and each other Additional Senior Secured Notes Guarantor, irrevocably Guarantee (each Guarantee, an *"Additional Senior Secured Notes Guarantee"*), as primary obligor and not merely as surety, on a senior basis the full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all payment obligations of the Issuer under the Senior Secured Notes Indenture and the Senior Secured Notes, whether for payment of principal of, or interest on or in respect of, the Senior Secured Notes, fees, expenses, indemnification or otherwise. The obligations of any Additional Senior Secured Notes Guarantor will be contractually limited under its Additional Senior Secured Notes Guarantee to reflect limitations under applicable law and the Agreed Security Principles, including restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory or other legal limitations or requirements, financial assistance, corporate benefit, fraudulent preference, "thin capitalization" rules, maintenance of share capital, retention of title claims and similar principles applicable to such Additional Senior Secured Notes Guarantor and its shareholders, directors and general partner. Any Additional Senior Secured Notes Guarantee shall be issued on substantially the same terms as the Senior Secured Notes Guarantees (subject to the foregoing contractual limitations). For purposes of the Senior Secured Notes Indenture and this Description of the Senior Secured Notes, references to the Senior Secured Notes Guarantees include references to any Additional Senior Secured Notes Guarantees and references to the Senior Secured Notes Guarantors include references to any Additional Senior Secured Notes Guarantors.

### **Releases**

Each Senior Secured Notes Guarantee (except for the Senior Secured Notes Guarantee of 3AB Optique Développement) will be released:

- (1) upon a sale or other disposition (including by way of consolidation or merger) of Capital Stock of the relevant Senior Secured Notes Guarantor (whether by direct sale or sale of a holding company) to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition does not violate the *"—Limitation on sales of assets and subsidiary stock"* covenant below and such that the relevant Senior Secured Notes Guarantor no longer remains a Restricted Subsidiary;
- (2) in connection with any sale, disposition, exchange or other transfer of all or substantially all of the assets of such Senior Secured Notes Guarantor (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition does not violate the *"—Limitation on sales of assets and subsidiary stock"* covenant below;
- (3) upon the designation in accordance with the Senior Secured Notes Indenture of such Senior Secured Notes Guarantor as an Unrestricted Subsidiary;
- (4) upon defeasance or discharge of the Senior Secured Notes, as provided in *"—Defeasance"* and *"—Satisfaction and discharge"*;
- (5) in accordance with the provisions of the New Intercreditor Agreement or an Additional Intercreditor Agreement relating to the release of a Senior Secured Notes Guarantee on an enforcement sale or other disposal of such Senior Secured Notes Guarantor;
- (6) as described under *"—Amendments and waivers"*;
- (7) with respect to an Additional Senior Secured Notes Guarantee given under the *"—Additional Senior Secured Notes Guarantees"* covenant below, upon release of the Senior Secured Notes



Guarantee that gave rise to the requirement to issue such Additional Senior Secured Notes Guarantee so long as no Event of Default would arise as a result and no other Indebtedness that would give rise to an obligation to give an Additional Senior Secured Notes Guarantee is at that time Guaranteed by the relevant Senior Secured Notes Guarantor;

- (8) with respect to any Senior Secured Notes Guarantor which is not the continuing or surviving Person in the relevant consolidation or merger, as a result of a Permitted Reorganization or a transaction permitted by the "*—Merger and consolidation—The Senior Secured Notes Guarantors*" covenant below and the Senior Secured Notes Indenture; or
- (9) upon the full and final payment and performance of all obligations of the Issuer and the Senior Secured Notes Guarantors under the Senior Secured Notes Indenture and the Senior Secured Notes.

The Senior Secured Notes Guarantee of 3AB Optique Développement will be released upon the occurrence of any event described in clauses (4), (5), (6), (8) or (9) above.

The Senior Secured Notes Trustee and the Security Agent (as applicable) shall, subject to receipt of certain documents from the Issuer and/or Senior Secured Notes Guarantors, and subject to the terms of the New Intercreditor Agreement, each take all necessary actions reasonably requested by the Issuer, including the granting of releases or waivers under the New Intercreditor Agreement, to effectuate any release of a Senior Secured Notes Guarantee of a Senior Secured Notes Guarantor in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Senior Secured Notes Trustee without the consent of the Holders or any action on the part of the Senior Secured Notes Trustee. Neither the Senior Secured Notes Trustee nor the Issuer will be required to make a notation on the Senior Secured Notes to reflect any such release, termination or discharge.

## SECURITY

### General

The Senior Secured Notes and the Senior Secured Notes Guarantees will be secured by shared first-ranking security interests (A) as of the Issue Date, over collateral consisting of (i) pledges of certain securities accounts relating to all securities issued by or held in 3AB Optique Développement, Alain Afflelou Franchiseur, L'Opticien Afflelou, 3ABOE and Lion / Seneca France Audio, (ii) pledges of certain bank accounts of the Issuer and the Issue Date Senior Subordinated Notes Guarantors and (iii) pledges of certain intercompany receivables owed to the Issuer and the Issue Date Senior Secured Notes Guarantors (collectively, the "*Issue Date Senior Secured Notes Collateral*") and (B) within 60 days of the Issue Date, over collateral consisting of (i) all shares issued by or held in Alain Afflelou International and (ii) pledges of certain bank accounts of the Post-Issue Date Senior Secured Notes Guarantors (collectively, the "*Post-Issue Date Senior Secured Notes Collateral*" and, together with the Issue Date Senior Secured Notes Collateral, the "*Senior Secured Notes Collateral*"), along with obligations under the New Revolving Credit Facility and, if any, certain Hedging Obligations. However, pursuant to the New Intercreditor Agreement, Holders of the Senior Secured Notes will receive proceeds from enforcement of the Senior Secured Notes Collateral and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the New Revolving Credit Facility and certain Hedging Obligations and, if any, certain other Indebtedness, have been repaid in full.

The liens on the Senior Secured Notes Collateral to secure the Senior Secured Notes and the Senior Secured Notes Guarantees are referred to herein collectively as the "*Security Interest*". Any other property or assets over which Security Interest may in the future be granted to secure obligations under the Senior Secured Notes and the Senior Secured Notes Indenture would also constitute "Senior Secured Notes Collateral".

The Senior Secured Notes Collateral will be contractually limited to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, fraudulent preference or conveyance and other legal restrictions applicable to security providers and their shareholders, directors and general partners. For a description of such contractual limitations, see "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*". The grant and control of the security will also be subject to certain Agreed Security Principles. The Agreed Security Principles provide that certain assets will not be pledged (or the Liens not perfected), including:

- if the cost of providing security is not proportionate to the benefit accruing to the Holders;
- if there is material incremental cost involved in creating security over all assets of a Senior Secured Notes Guarantor in a particular category of assets, only the material assets in that category will be subject to security;
- if providing such security would require consent of any person, subject to certain obligations to take steps to obtain such consent before such assets may be secured or where providing such security would give a third party the right to terminate or otherwise amend to the material detriment of the Issuer or any of the Issuer's Subsidiaries in respect of those assets or require any of them to take any action materially adverse to their interests and where (subject to certain conditions being met) such consent cannot be obtained after the use of reasonable endeavors;
- if providing such security (i) would be prohibited by statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, transfer pricing rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction (after the use of reasonable endeavors to overcome the relevant legal limitation, if possible), (ii) would be outside the applicable pledgor's capacity or conflict with its fiduciary duties, or (iii) could result in any risk or liability for the officers, directors or shareholders;
- if in certain jurisdictions it may be either impossible or impractical to create security over certain categories of assets, security will not be taken over such assets; and
- no perfection action will be required in jurisdictions where a Senior Secured Notes Guarantor is not located but perfection action may be required in the jurisdiction of one Senior Secured Notes Guarantor in relation to security granted by another Senior Secured Notes Guarantor located in a different jurisdiction and (where otherwise consistent with the Agreed Security Principles) in any supranational registries agreed between the Issuer and the Security Agent from time to time.

The Agreed Security Principles with respect to the Senior Secured Notes will be interpreted and applied in good faith by the Issuer.

The Liens securing the Senior Secured Notes and the Senior Secured Notes Guarantees will also secure the obligations of the Issuer and the Senior Secured Notes Guarantors under the New Revolving Credit Facility, certain Hedging Obligations, if any, the Senior Subordinated Notes on a second-priority basis and certain other future Indebtedness; *provided, however*, that Holders of the Senior Secured Notes will receive proceeds from enforcement of the Senior Secured Notes Collateral and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the New Revolving Credit Facility and, if any, certain Hedging Obligations or certain other future Indebtedness, have been repaid in full. In addition, subject to certain conditions, including compliance with the "*—Impairment of Security Interest*" covenant below, each of the Issuer and the Senior Secured Notes Guarantors is permitted to pledge the Senior Secured Notes Collateral in connection with future Incurrences of Indebtedness, including any Additional Senior Secured Notes, in each case, permitted under the Senior Secured Notes Indenture and other Indebtedness of members of the Group and on terms consistent with the relative priority in right of payment of such Indebtedness under the Senior Secured Notes Indenture and the New Intercreditor Agreement.

In addition to the release provisions described below, the Security Interest will cease to exist by operation of law or will be released, depending on the type of security interest, upon the defeasance or discharge of the Senior Secured Notes as provided in "*—Defeasance*" or "*—Satisfaction and discharge*", in each case in accordance with the terms and conditions of the Senior Secured Notes Indenture.

There can be no assurance that the proceeds from the sale of the Senior Secured Notes Collateral would be sufficient to satisfy the obligations owed to the Holders, and the Senior Secured Notes Collateral securing the Senior Secured Notes and the Senior Secured Notes Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional Senior Secured Notes and the disposition of assets comprising the Senior Secured Notes Collateral, subject to the terms of the Senior Secured Notes Indenture. No appraisals of the Senior Secured Notes Collateral have been made in connection with this offering of the Senior Secured Notes. By its nature, some or all of the Senior Secured Notes Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Senior Secured Notes Collateral may not be able to be sold in a short period of

time, or at all. See *"Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The value of the Collateral securing the Notes may not be sufficient to satisfy our obligations under the Notes and such Collateral may be reduced or diluted under certain circumstances"* and *"Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—It may be difficult to realize the value of the Collateral securing the Notes"*. In addition, the New Intercreditor Agreement places limitations on the ability of the Security Agent to release the Security Interest, by reference to the interests of other creditors. These limitations may include requirements that some or all of the Senior Secured Notes Collateral be disposed of only pursuant to public auctions or only at a price confirmed by a valuation. See *"Description of Certain Other Indebtedness and Other Arrangements—New Intercreditor Agreement"*.

Subject to the terms of the Security Documents and prior to enforcement of any such Senior Secured Notes Collateral, the Issuer and the Senior Secured Notes Guarantors, as the case may be, will have the right to remain in possession and retain exclusive control of the Senior Secured Notes Collateral securing the Senior Secured Notes and the Senior Secured Notes Guarantees, to freely operate the Senior Secured Notes Collateral and to collect, invest and dispose of any income therefrom and, in respect of the shares that are part of the Senior Secured Notes Collateral, will be entitled to exercise any and all voting rights and to receive and retain any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares of stock resulting from stock splits or reclassifications, rights issue, warrants, options and other distributions (whether similar or dissimilar to the foregoing).

The creditors under the New Revolving Credit Facility, the counterparties to the Hedging Obligations secured by the Senior Secured Notes Collateral, if any, and the Senior Secured Notes Trustee have, and by accepting a Senior Secured Note, each Holder will be deemed to have, irrevocably appointed the Security Agent to act as its agent and security agent under the New Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents. The creditors under the New Revolving Credit Facility, the counterparties to the Hedging Obligations secured by the Senior Secured Notes Collateral, if any, and the Senior Secured Notes Trustee have, and by accepting a Senior Secured Note, each Holder will be deemed to have, irrevocably authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the New Intercreditor Agreement or the Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

Further, the Senior Secured Notes Indenture will also provide that each Holder, by accepting a Senior Secured Note, shall be deemed to have agreed to and accepted the terms and conditions of the New Intercreditor Agreement and any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein). See *"Description of Certain Other Indebtedness and Other Arrangements—New Intercreditor Agreement"*.

## **Security Documents**

Under the Security Documents, the Issuer and the Senior Secured Notes Guarantors will grant security over the Senior Secured Notes Collateral to secure the obligations of the Issuer under the Senior Secured Notes and the Senior Secured Notes Indenture and the obligations of the Senior Secured Notes Guarantors under their respective Senior Secured Notes Guarantees and the Senior Secured Notes Indenture. The Security Documents will be entered into by, *inter alios*, the relevant security provider and the Security Agent.

The Security Agent will enter into the Security Documents in its own name for the benefit of the Senior Secured Notes Trustee and the Holders. The Security Agent will also act on behalf of the lenders under the New Revolving Credit Facility and the counterparties under certain Hedging Obligations, if any, (who will have the equal and ratable benefit of the same Senior Secured Notes Collateral) and the holders of the Senior Subordinated Notes issued pursuant to the Senior Subordinated Notes Indenture (as defined in *"Description of the Senior Subordinated Notes"*). The Security Agent will also act on behalf of certain future secured creditors.

The Security Documents provide that the rights with respect to the Senior Secured Notes Collateral must be exercised by the Security Agent or the parties to the Security Documents. Since the Holders are not a party to the Security Documents, Holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The Holders may only act through the Security Agent.

The Security Agent will agree to any release of the Security Interest created by the Security Documents that is in accordance with the Senior Secured Notes Indenture and the New Intercreditor Agreement without requiring any consent of the Holders. See "*—Release of Liens*" and "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantees will be released automatically and under which the Guarantees will be released automatically, without your consent or the consent of the Trustee*". In addition, the terms of the Security Documents themselves provide for assets to cease to become subject to security in certain circumstances without need for a formal release, such as the sale of assets which are subject to a charge, or the exclusion of certain assets from a debenture if such assets may not be subject to security (such as, for example, assets that may not be validly pledged, or assets that are subject to a Permitted Lien). The Security Agent will commence enforcement action under the Security Documents only in accordance with the terms of the New Intercreditor Agreement. See "*—Enforcement of Security Interest*".

In the event that the Issuer or any of the Senior Secured Notes Guarantors enters into insolvency, bankruptcy, dissolution, *gestion contrôlée*, *liquidation judiciaire*, *faillite déclarée* or similar proceedings, the Security Interest created under the Security Documents or the rights and obligations enumerated in the New Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interest or the terms of the New Intercreditor Agreement were successful, the Holders might not be able to recover any amounts under the Security Documents. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—Corporate benefit, financial assistance laws and other limitations on the Guarantees or the security interests may adversely affect the validity and enforceability of the Guarantees of the Notes or security interests in the Collateral*".

## Release of Liens

The Issuer and the Senior Secured Notes Guarantors will be entitled, in addition to the circumstances described above, to require the Security Agent to release the Security Interest in respect of the Senior Secured Notes Collateral securing the Senior Secured Notes and the Senior Secured Notes Guarantees under any one or more of the following circumstances:

- (1) in the case of Senior Secured Notes Collateral owned by the Issuer or a Restricted Subsidiary of the Issuer, in connection with any sale or disposition of such property or assets to (a) any Person that is not the Issuer or a Restricted Subsidiary either before or after giving effect to such transaction, if such sale or other disposition does not violate the "*—Limitation on sales of assets and subsidiary stock*" covenant below or (b) to the Issuer or any Senior Secured Notes Guarantor; *provided* that such transfer is otherwise in compliance with the Senior Secured Notes Indenture and, in the case of clause (b), immediately following such sale or disposition, a Lien of at least equivalent ranking over the same assets or property exists or is granted in favor of the Security Agent (on its own behalf and on behalf of the Senior Secured Notes Trustee for the Holders);
- (2) in connection with the release of a Senior Secured Notes Guarantor from its Senior Secured Notes Guarantee pursuant to the terms of the Senior Secured Notes Indenture, the release of the property and assets, and Capital Stock, of such Senior Secured Notes Guarantor;
- (3) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Senior Secured Notes Indenture, the release of the property, assets and Capital Stock of such Unrestricted Subsidiary;
- (4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Secured Notes Indenture, as provided in "*—Defeasance*" and "*—Satisfaction and discharge*";
- (5) in compliance with the provisions of the New Intercreditor Agreement or any Additional Intercreditor Agreement relating to disposals of assets subject to security (see "*Description of Certain Other Indebtedness and Other Arrangements—New Intercreditor Agreement*");
- (6) (i) in accordance with "*—Amendments and waivers*", (ii) in accordance with the "*—Impairment of Security Interest*" covenant below and (iii) in accordance with the second paragraph under the "*—Limitation on Liens*" covenant below so long as immediately after the release there is no other Indebtedness secured by a Lien on the property or assets that was the subject of the Initial Lien that would result in the requirement for the Senior Secured Notes and the Senior Secured Notes Guarantees to be secured equally and ratably with, or prior to, such Lien;

- (7) in order to effectuate a Permitted Reorganization or a merger, consolidation, conveyance or transfer conducted in compliance with the "*—Merger and consolidation*" covenant below; *provided* that following such Permitted Reorganization or merger, consolidation, conveyance or transfer, a Lien of at least equivalent ranking over the same assets or property is granted in favor of the Security Agent (on its own behalf and on behalf of the Senior Secured Notes Trustee for the Holders) to the extent such assets or property continue to exist as assets or property of the Issuer or a Restricted Subsidiary of the Issuer;
- (8) upon the full and final payment and performance of all obligations of the Issuer under the Senior Secured Notes Indenture and the Senior Secured Notes; or
- (9) as otherwise permitted in accordance with the Senior Secured Notes Indenture.

The Security Agent and the Senior Secured Notes Trustee (only if required) will take all necessary action reasonably requested by the Issuer required to effectuate any release of Senior Secured Notes Collateral securing the Senior Secured Notes and the Senior Secured Notes Guarantees, in accordance with the provisions of the Senior Secured Notes Indenture, the New Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Documents. Each of the releases set forth above shall be permitted to be effected by the Security Agent without the consent of the Holders or any action on the part of the Senior Secured Notes Trustee.

### **Enforcement of Security Interest**

The ability of the Security Agent to enforce any Security Interest is restricted by the terms of the New Intercreditor Agreement by reference to the interests of the lenders under the New Revolving Credit Facility and the counterparties to certain Hedging Obligations. See "*Description of Certain Other Indebtedness and Other Arrangements—New Intercreditor Agreement*". It may also be restricted by similar arrangements in relation to future Indebtedness that is secured by the Senior Secured Notes Collateral in compliance with the Senior Secured Notes Indenture and the New Intercreditor Agreement.

Similar provisions may be included in any Additional Intercreditor Agreement entered into in compliance with the "*—Additional Intercreditor Agreements*" covenant below.

To establish the relative rights of certain creditors of the Issuer and the Senior Secured Notes Guarantors under our financing arrangements, including, without limitation, the Senior Secured Notes, the Senior Subordinated Notes, the New Revolving Credit Facility and, if any, certain Hedging Obligations and certain other future Indebtedness, the Issuer and the Senior Secured Notes Guarantors, the agent under the New Revolving Credit Facility, the Senior Secured Notes Trustee, the trustee under the Senior Subordinated Indenture and the Security Agent will enter into the New Intercreditor Agreement. See "*Description of Certain Other Indebtedness and Other Arrangements—New Intercreditor Agreement*". Pursuant to the terms of the New Intercreditor Agreement, any liabilities in respect of obligations under the New Revolving Credit Facility and any Credit Facilities Incurred pursuant to clause (1) of the second paragraph of the "*—Limitation on Indebtedness*" covenant below, any Hedging Obligations Incurred pursuant to clause (6) of the second paragraph of the "*—Limitation on Indebtedness*" covenant below and any liabilities in respect of obligations Incurred pursuant to clause (7) of the second paragraph of the "*—Limitation on Indebtedness*" covenant below and permitted to be secured on the Senior Secured Notes Collateral (see "*—Certain definitions—Permitted Collateral Liens*") will receive priority with respect to any proceeds received upon enforcement of any Senior Secured Notes Collateral and certain distressed disposals; *provided, however*, that as long as the New Revolving Credit Facility has not been cancelled, discharged or otherwise terminated, the amount of Hedging Obligations permitted to receive such priority will be limited. Any proceeds received upon any enforcement over any Senior Secured Notes Collateral and certain distressed disposals, after all obligations under the New Revolving Credit Facility have been repaid and such Hedging Obligations and other obligations, if any, have been discharged from such recoveries, will be applied *pro rata* in repayment of all obligations under the Senior Secured Notes Indenture, the Senior Secured Notes and the Senior Secured Notes Guarantees and any other obligations of the Issuer and the Senior Secured Notes Guarantors permitted to be Incurred and secured by the Senior Secured Notes Collateral on a *pari passu* basis pursuant to the Senior Secured Notes Indenture and the New Intercreditor Agreement.

### **OPTIONAL REDEMPTION**

#### **Optional redemption of Senior Secured Notes**

Except as described below and except as described under "*—Redemption for taxation reasons*", the Senior Secured Notes are not redeemable until \_\_\_\_\_, 2023. On and after \_\_\_\_\_, 2023, the Issuer

may redeem all or, from time to time, part of the Senior Secured Notes upon not less than 10 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of principal amount) *plus* accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on for the years indicated below:

Year	Redemption Price
2023 .....	%
2024 .....	%
2025 and thereafter .....	%

Prior to , 2023, the Issuer may on any one or more occasions redeem up to 40% of the original aggregate principal amount of the Senior Secured Notes (including the aggregate principal amount of any Additional Senior Secured Notes), upon not less than 10 nor more than 60 days' notice, with funds in an aggregate amount (the "*Redemption Amount*") not exceeding the Net Cash Proceeds of one or more Equity Offerings at a redemption price of % of the principal amount thereof, *plus* accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided that*:

- (1) at least 60% of the original aggregate principal amount of the Senior Secured Notes (including the aggregate principal amount of any Additional Senior Secured Notes) remains outstanding after each such redemption; and
- (2) the redemption occurs within 120 days after the closing of such Equity Offering.

Any redemption notice given in respect of the redemption referred to in the preceding paragraph may be given prior to completion of the related Equity Offering, and any such redemption or notice may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, including the completion of the related Equity Offering.

In addition, prior to , 2023, the Issuer may redeem all or, from time to time, a part of the Senior Secured Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount thereof *plus* the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date). Any such redemption and notice may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

## General

The Issuer may repurchase Senior Secured Notes at any time and from time to time in the open market or otherwise.

Notice of redemption will be provided as set forth under "*Selection and notice*" below.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Senior Secured Notes or portion thereof called for redemption on the applicable redemption date. Any such redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, such notice shall state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed; *provided that* in no case shall the notice have been delivered less than 10 days or more than 60 days prior to the date on which such redemption (if any) occurs. In addition, the Issuer may provide in such notice that payment of the redemption price and performance of the Issuer's obligations with respect to such redemption may be performed by another Person.

If the Issuer effects an optional redemption of the Senior Secured Notes, it will, for so long as the Senior Secured Notes are listed on the Official List of Euronext Dublin and admitted for trading on the Global

Exchange Market and the rules of Euronext Dublin so require, as soon as reasonably practicable after the applicable redemption date inform Euronext Dublin of such optional redemption and confirm the aggregate principal amount of the Senior Secured Notes that will remain outstanding immediately after such redemption.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Senior Secured Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Senior Secured Notes will be subject to redemption by the Issuer.

#### **SINKING FUND**

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Senior Secured Notes.

#### **REDEMPTION AT MATURITY**

On \_\_\_\_\_, 2026, the Issuer will redeem the Senior Secured Notes that have not been previously redeemed or purchased and cancelled at 100% of their principal amount *plus* accrued and unpaid interest thereon and Additional Amounts, if any, to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

#### **SELECTION AND NOTICE**

If less than all the Senior Secured Notes is to be redeemed at any time, the Registrar or the Paying Agent will select Senior Secured Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Senior Secured Notes are listed, and in compliance with the requirements of Euroclear or Clearstream, or if the Senior Secured Notes are not so listed or such exchange prescribes no method of selection and the Senior Secured Notes are not held through Euroclear or Clearstream, or Euroclear or Clearstream prescribes no method of selection based on a method that most nearly approximates a *pro rata* selection as the Registrar or the Paying Agent (as applicable) deems fair and appropriate; *provided, however*, that no Senior Secured Note of €100,000 in principal amount or less shall be redeemed in part and only Senior Secured Notes in integral multiples of €1,000, will be redeemed. Neither the Senior Secured Notes Trustee, the Paying Agent, nor the Registrar will be liable for any selections made in accordance with this paragraph.

So long as any Senior Secured Notes are listed on the Official List of Euronext Dublin and admitted for trading on the Global Exchange Market and the rules of Euronext Dublin so require, any such notice to the Holders of the relevant Senior Secured Notes shall to the extent and in the manner permitted by such rules, be posted on the official website of Euronext Dublin (<https://www.euronext.com/en/markets/dublin>) concurrently with the notice delivered via mail or through Euroclear and Clearstream or as soon as reasonably practicable thereafter and in addition to such release, not less than 10 nor more than 60 days prior to the redemption date, the Issuer shall mail such notice to Holders by first class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. Such notice of redemption may also be posted on the website of Euronext Dublin (<https://www.euronext.com/en/markets/dublin>), to the extent and in the manner permitted by the rules of Euronext Dublin. For Senior Secured Notes which are represented by Global Notes held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing.

If any Senior Secured Note is to be redeemed in part only, the notice of redemption that relates to that Senior Secured Note shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Senior Secured 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, Senior Secured Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Senior Secured Notes or portions of Senior Secured Notes called for redemption.

## REDEMPTION FOR TAXATION REASONS

The Issuer may redeem the Senior Secured Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' notice to the Holders of the Senior Secured Notes (which notice will be irrevocable) at a redemption price equal to 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*") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts, if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if the Issuer determines in good faith that, as a result of:

- (1) any change in, or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) which change or amendment is publicly announced and becomes effective on or after the Issue Date (or, if a Relevant Taxing Jurisdiction becomes a Relevant Taxing Jurisdiction on a date after the Issue Date, on or after such later date); or
- (2) any change in, or amendment to, an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including by virtue of a holding, judgment or order by a court of competent jurisdiction) of a Relevant Taxing Jurisdiction, which change or amendment is publicly announced and becomes effective on or after the Issue Date (or, if a Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the Issue Date, on or after such later date) (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

the Issuer or any Senior Secured Notes Guarantor is, or on the next interest payment date in respect of the Senior Secured Notes would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the Issuer or such Senior Secured Notes Guarantor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*Selection and notice*".

Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Issuer or Senior Secured Notes Guarantor would be obliged to pay Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of such Senior Secured Notes pursuant to the foregoing, the Issuer will deliver to the Senior Secured Notes Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and that it or the relevant Senior Secured Notes Guarantor would not be able to avoid the obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing and reasonably satisfactory to the Senior Secured Notes Trustee to the effect that the Issuer has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Senior Secured Notes Trustee will accept such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above and compliance with the Senior Secured Notes Indenture, without further inquiry, in which event it will be conclusive and binding on the Holders.

The foregoing will apply (a) to any Senior Secured Notes Guarantor only if the payment giving rise to such requirement cannot be made by the Issuer or another Senior Secured Notes Guarantor without the obligation to pay Additional Amounts and (b) *mutatis mutandis* to any successor Person and to any jurisdiction in which any successor Person is incorporated or organized or otherwise considered to be a tax resident or maintaining a permanent establishment or doing business for Tax purposes or any jurisdiction from or through which any payment on the Senior Secured Notes or any Senior Secured Notes Guarantee is made by or on behalf of such successor Person and any political subdivision or taxing authority or agency thereof or therein.

## WITHHOLDING TAXES

All payments made by or on behalf of the Issuer or any Senior Secured Notes Guarantor thereto (each, a "*Payor*") on the Senior Secured Notes or any Senior Secured Notes Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by:



- (1) any jurisdiction in which a Payor is then incorporated, organized, or otherwise considered to be a tax resident or maintaining a permanent establishment or doing business for tax purposes, or any political subdivision or Governmental Authority thereof or therein having the power to tax; or
- (2) any jurisdiction from or through which any payment on any such Senior Secured Note or Senior Secured Notes Guarantee is made by or on behalf of such Payor (including, without limitation, the jurisdiction of any Paying Agent for the Senior Secured Notes), or any political subdivision or governmental authority thereof or therein having the power to tax (each of clauses (1) and (2), a "*Relevant Taxing Jurisdiction*"),

will at any time be required in respect of any payments made by or on behalf of a Payor under or with respect to any Senior Secured Note or Senior Secured Notes Guarantee, including, without limitation, payments of principal, redemption price, purchase price, premium, if any, or interest, the Payor will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments by the Holder after such withholding, deduction or imposition (including any such deduction, withholding or imposition in respect of such Additional Amounts), will equal the amounts which would have been received in respect of such payments in the absence of such withholding, deduction or imposition; *provided, however*, that no such Additional Amounts will be payable for or on account of:

- (a) any Taxes, to the extent such Taxes would not have been so imposed but for the existence of any actual or deemed present or former connection between the relevant Holder or the beneficial owner of a Senior Secured Note (or between a fiduciary, settlor, beneficiary, partner, member or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including being a citizen or resident or national or domiciliary of, or carrying on a business or maintaining a permanent establishment, place of business or place of management in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition or ownership of a Senior Secured Note or the receipt of any payment in respect of, or the enforcement of, the Senior Secured Notes or any Senior Secured Notes Guarantee;
- (b) any Taxes, to the extent such Taxes are imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Senior Secured Note to comply with a written request of any Payor addressed to the Holder or beneficial owner (and made at a time that would enable the Holder or beneficial owner acting reasonably to comply with that request) to comply with any certification, information, documentation or other reporting requirements, which are required by applicable law, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Taxes imposed by the Relevant Taxing Jurisdiction, but only to the extent the Holder or beneficial owner is legally entitled to provide such certification, information or documentation;
- (c) any Taxes that are required to be paid other than by deduction or withholding from a payment on the Senior Secured Notes or any Senior Secured Notes Guarantee;
- (d) any estate, inheritance, gift, value added, sales, transfer, personal property or similar Tax;
- (e) any Taxes imposed on a payment on a Senior Secured Note presented for payment (where presentation is permitted or required for payment) to a Holder or beneficial owner who would have been able to avoid such Taxes by presenting the relevant Senior Secured Note to another Paying Agent;
- (f) any Taxes imposed pursuant to or in connection with Sections 1471 through 1474 of the Code (or any amended or successor version of such sections), the Treasury regulations thereunder, any official interpretations thereof or any similar law or regulations adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any agreements entered into pursuant to Section 1471(b)(1) of the Code; or
- (g) any combination of the above.

Such Additional Amounts will also not be payable if the payment could have been made without such deduction or withholding if the beneficiary of the payment had presented the Senior Secured Note for payment (where presentation is permitted or required for payment) within 30 days after the relevant

payment was first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Senior Secured Note been presented on the last day of such 30-day period).

In addition, such Additional Amounts shall not be paid with respect to any payment to any Holder who is a fiduciary or a partnership or any person other than the beneficial owner of such Senior Secured Notes to the extent that the beneficiary or settlor with respect to such fiduciary, the member of such partnership or the beneficial owner of such Senior Secured Notes would not have been entitled to such Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Senior Secured Notes directly.

The Payor or the applicable withholding agent will (i) make any required withholding or deduction and (ii) timely remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will (i) use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment by the Payor of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, in such form as provided in the ordinary course by the Relevant Taxing Jurisdiction or, if notwithstanding such Payor's efforts to obtain such tax receipts, such tax receipts are not obtained, then such other evidence of payment of such Taxes by the Payor as is reasonably satisfactory to the Senior Secured Notes Trustee and (ii) provide such certified copies or such evidence of payment to the Senior Secured Notes Trustee, within a reasonable time after the date the payment of any Taxes so deducted or withheld is made. Copies of such documentation will be available for inspection during ordinary business hours at the office of the Senior Secured Notes Trustee by the Holders upon request and will be made available at the offices of the Listing Agent if the Senior Secured Notes are then listed on Euronext Dublin.

If any Payor becomes aware that it will be obligated to pay Additional Amounts under or with respect to any payment made on any Senior Secured Note or Senior Secured Notes Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Senior Secured Notes Trustee an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders or the beneficial owner on the relevant payment date (unless such obligation to pay Additional Amounts arises, or the Payor becomes aware of such obligation, less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Senior Secured Notes Trustee will be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever there are mentioned, in any context in any of the Senior Secured Notes Indenture, the Senior Secured Notes Guarantees or this Description of the Senior Secured Notes: (1) the payment of principal, (2) purchase price in connection with a purchase of Senior Secured Notes, (3) interest, or (4) any other amount payable on or with respect to the Senior Secured Notes, such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay any present or future stamp, issue, registration, court or documentary Taxes, or any other excise, property or similar Taxes (including any reasonable expenses related thereto) that arise in any Relevant Taxing Jurisdiction from the execution, issuance, delivery, initial resale, or registration or any payments under or with respect to any Senior Secured Notes, the Senior Secured Notes Indenture, any Senior Secured Notes Guarantee or any other document or instrument in relation thereto, or in any tax jurisdiction on the enforcement of any of the foregoing (other than on a transfer of Senior Secured Notes other than the initial resale by the Initial Purchasers or any payments under or with respect thereto, and limited, solely in the case of Taxes attributable to any payments under or with respect thereto, to any such Taxes imposed in a Relevant Taxing Jurisdiction that are not excluded under clauses (a), (b) and (d) through (f) above, under the second and third paragraphs under this heading or any combination thereof) and the Payor agrees to indemnify the Holders for any such Taxes paid by or on behalf of such Holders.

The foregoing obligations will survive any termination, defeasance or discharge of the Senior Secured Notes Indenture, and any transfer by a Holder or beneficial owner of its Senior Secured Notes, and will apply *mutatis mutandis* to any successor to a Payor and to any jurisdiction in which any successor to the Payor is incorporated or otherwise considered to be a tax resident or maintaining a permanent establishment or doing business for Tax purposes or any jurisdiction from or through which any payment on the Senior Secured Notes or any Senior Secured Notes Guarantee is made by or on behalf of such successor and any political subdivision or taxing authority or agency thereof or therein.

## CHANGE OF CONTROL

If a Change of Control Triggering Event occurs, subject to the terms of the covenant described under this heading "*Change of Control*", each Holder will have the right to require the Issuer to repurchase all or any part (equal to €100,000 or an integral multiple of €1,000 in excess thereof) of such Holder's Senior Secured Notes at a purchase price in cash equal to 101% of the principal amount of each Note, *plus* accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that the Issuer shall not be obliged to repurchase Senior Secured Notes as described under this heading, "*Change of Control*", in the event and to the extent that it has unconditionally exercised its right to redeem all of the Senior Secured Notes as described under "*—Optional redemption*" and has not defaulted in the payment of the applicable redemption price or all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Senior Secured Notes as described under "*—Optional redemption*" and has not defaulted in the payment of the applicable redemption price or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control Triggering Event, the Issuer will send a notice (the "*Change of Control Offer*") to each Holder of any such Senior Secured Notes, by mail or otherwise in accordance with the procedures set forth in the Senior Secured Notes Indenture, with a copy to the Senior Secured Notes Trustee:

- (1) stating that a Change of Control Triggering Event has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Senior Secured Notes at a purchase price in cash equal to 101% of the principal amount of such Senior Secured Notes *plus* accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "*Change of Control Payment*");
- (2) stating the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "*Change of Control Payment Date*") and the record date;
- (3) stating that any Senior Secured Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Senior Secured Notes or part thereof not tendered will continue to accrue interest;
- (4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control Triggering Event;
- (5) describing the procedures determined by the Issuer, consistent with the Senior Secured Notes Indenture, that a Holder must follow in order to have its Senior Secured Notes repurchased; and
- (6) if such notice is mailed prior to the occurrence of a Change of Control Triggering Event, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control Triggering Event.

On the Change of Control Payment Date, if the Change of Control Triggering Event shall have occurred, the Issuer will, to the extent lawful:

- (1) accept for payment all Senior Secured Notes or portion thereof properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Senior Secured Notes so tendered;
- (3) deliver or cause to be delivered to the Senior Secured Notes Trustee an Officer's Certificate stating the aggregate principal amount of Senior Secured Notes or portions of the Senior Secured Notes being purchased by the Issuer in the Change of Control Offer;
- (4) in the case of Global Notes, deliver, or cause to be delivered, to the Paying Agent the Global Notes in order to reflect thereon the portion of such Senior Secured Notes or portions thereof that have been tendered to and purchased by the Issuer; and
- (5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agent will promptly mail (or cause to be delivered), at the Issuer's expense, to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Senior Secured Notes, and the Senior Secured Notes Trustee will, at the Issuer's expense, promptly authenticate and mail (or cause to be transferred by book entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Senior Secured Notes surrendered, if any; *provided* that each such new Senior Secured Note will be in a principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

If and for so long as the Senior Secured Notes are listed on the Official List of Euronext Dublin and admitted for trading on the Global Exchange Market and the rules of Euronext Dublin so require, the Issuer will publish notices relating to the Change of Control Offer as soon as reasonably practicable after the Change of Control Payment Date in a leading newspaper of general circulation in Ireland (which is expected to be *The Irish Times*) or, to the extent and in the manner permitted by such rules, post such notices on the official website of Euronext Dublin (<https://www.euronext.com/en/markets/dublin>).

The Change of Control provisions described above will be applicable whether or not any other provisions of the Senior Secured Notes Indenture are applicable. Except as described above with respect to a Change of Control Triggering Event, the Senior Secured Notes Indenture does not contain provisions that permit the Holders to require the Issuer to repurchase or redeem the Senior Secured Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Senior Secured Notes upon the occurrence of a Change of Control Triggering Event may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control Triggering Event.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control Triggering Event if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Senior Secured Notes Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Senior Secured Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control Triggering Event, conditioned upon the consummation of such Change of Control Triggering Event, if a definitive agreement is in place for the Change of Control Triggering Event at the time the Change of Control Offer is made.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Senior Secured Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Senior Secured Notes Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Senior Secured Notes Indenture by virtue of the conflict.

The Issuer's ability to repurchase Senior Secured Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control Triggering Event would require a mandatory prepayment of Indebtedness under the New Revolving Credit Facility. In addition, certain events that may constitute a Change of Control Triggering Event under the New Revolving Credit Facility and require a mandatory prepayment of Indebtedness under such agreement may not constitute a Change of Control Triggering Event under the Senior Secured Notes Indenture. Future Indebtedness of the Issuer or its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control Triggering Event or require such Indebtedness to be repurchased or repaid upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Senior Secured Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—We may not 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 triggering event as required by the Indentures, and the change of control provision contained in the Indentures may not necessarily afford you protection in the event of certain important corporate events*".

In addition, the definitions of "Change of Control Triggering Event" and "Permitted Holders" expressly permit a third party to obtain control of the Issuer in a transaction (i) which is a Specified Change of Control Event or (ii) which is a Change of Control but not a Change of Control Triggering Event, in each case without any obligation to make a Change of Control Offer.

The definition of "Change of Control" includes a disposition of all or substantially all of the property and assets of the Issuer and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control Triggering Event has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Senior Secured Notes as described above.

The provisions of the Senior Secured Notes Indenture relating to the Issuer's obligation to make an offer to repurchase the Senior Secured Notes as a result of a Change of Control Triggering Event may be waived or modified with the written consent of Holders of a majority in aggregate principal amount of the Senior Secured Notes.

## **CERTAIN COVENANTS**

### **Limitation on Indebtedness**

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that the Issuer and any of its Restricted Subsidiaries may Incur Indebtedness if on the date of such Incurrence and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof), the Fixed Charge Coverage Ratio for the Issuer for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is Incurred would have been at least 2.0 to 1.0; *provided, however*, that the maximum aggregate principal amount of Debt that may be Incurred by Restricted Subsidiaries that are not Senior Secured Notes Guarantors pursuant to this paragraph (1) shall not exceed €50.0 million at any time outstanding.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

- (1) Indebtedness Incurred pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding the greater of (x) €50 million and (y) 48.0% of Consolidated EBITDA, *provided*, that any Indebtedness Incurred pursuant to this clause (1) may be refinanced at any time if such refinancing does not exceed the greater of (I) the aggregate principal amount of Indebtedness permitted to be Incurred pursuant to this clause (1) on the date of such refinancing and (II) the aggregate principal amount of the Indebtedness being refinanced at such time (together with an amount necessary to pay accrued and unpaid interest and any fees and expenses, including any premium and defeasance costs, indemnity fees, discounts, premiums and other costs and expenses (including original issue discount, upfront fees or similar fees) Incurred or payable in connection with such refinancing);
- (2)
  - (a) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary in each case, so long as the Incurrence of such Indebtedness is permitted under the terms of the Senior Secured Notes Indenture (other than pursuant to this clause (2)); *provided* that, if Indebtedness being Guaranteed is subordinated to or *pari passu* with the Senior Secured Notes or a Senior Secured Notes Guarantee, then the Guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness Guaranteed; and
  - (b) without limiting the "*Limitation on Liens*" covenant, Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Senior Secured Notes Indenture (other than pursuant to this clause (2));
- (3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided, however*, that:

- (a) (1) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary of the Issuer; and (2) any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary of the Issuer, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause by the Issuer or such Restricted Subsidiary, as the case may be; and
  - (b) if the Issuer or a Senior Secured Notes Guarantor is the obligor on such Indebtedness and the obligee is not the Issuer or a Senior Secured Notes Guarantor, such Indebtedness must be (a) unsecured and (b) except in respect of intercompany current liabilities Incurred in the ordinary course of business, if the aggregate principal amount of such Indebtedness of the Issuer or such Senior Secured Notes Guarantor exceeds €2.5 million, to the extent legally permitted expressly subordinated to the prior payment in full in cash of all obligations with respect to the Senior Secured Notes or the applicable Senior Secured Notes Guarantee, in the case of the Senior Secured Notes Guarantors and such condition shall be deemed to be satisfied if each such obligee accedes to the New Intercreditor Agreement as an Intra-Group Lender (as defined in the New Intercreditor Agreement);
- (4) (a) Indebtedness represented by the Senior Secured Notes (other than any Additional Senior Secured Notes) and the Senior Secured Notes Guarantees thereof and Indebtedness represented by the Senior Subordinated Notes (other than any Additional Senior Subordinated Notes, as defined in "*Description of the Senior Subordinated Notes*") and the Senior Subordinated Notes Guarantees (as defined in "*Description of the Senior Subordinated Notes*") thereof, (b) any Indebtedness (other than Indebtedness described in clauses (1), (3), (4)(a) and (16) of this paragraph) entered into or outstanding on the Issue Date, (c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in sub-clauses (a), (b) and (c) of this clause (4) or clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant and (d) Management Advances;
- (5) Indebtedness of (x) the Issuer or any of its Restricted Subsidiaries Incurred to finance an acquisition or (y) Persons that are acquired by the Issuer or any of its Restricted Subsidiaries or merged, consolidated, amalgamated with or into the Issuer or any of its Restricted Subsidiaries in accordance with the terms of the Senior Secured Notes Indenture; *provided, however*, that after giving effect to such acquisition or merger, consolidation or amalgamation either: (a) the Issuer would be permitted to Incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of this covenant; or (b) the Fixed Charge Coverage Ratio of the Issuer would not be less than it was immediately prior to giving effect to such acquisition or merger, consolidation or amalgamation;
- (6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements entered into for *bona fide* hedging purposes of the Issuer or its Restricted Subsidiaries and not for speculative purposes (as determined in good faith by an Officer or the Board of Directors of the Issuer);
- (7) Indebtedness consisting of (A) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness (*provided* that, in each case, the Indebtedness exists on the date of such purchase, lease, rental, construction, design, installation or improvement or is created within 180 days thereafter), in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time outstanding the greater of (x) €15 million and (y) 14.4% of Consolidated EBITDA;
- (8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other Guarantees or other similar bonds, instruments or obligations and completion

Guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or Guarantees Incurred in the ordinary course of business, (b) letters of credit, bankers' acceptances, Guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business; *provided, however*, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 60 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business, (d) any cash management, cash pooling or netting or setting off arrangements in the ordinary course of business and (e) Indebtedness representing deferred compensation to current or former directors, officers, employees, members of management, managers and consultants of any Parent Entity, the Issuer or any of its Subsidiaries in the ordinary course of business or consistent with past practice;

- (9) Indebtedness arising from agreements providing for customary Guarantees, indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness in connection with any such disposition shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;
- (10)
  - (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;
  - (b) take-or-pay obligations, customer deposits and advance payments received in the ordinary course of business consistent with past practice from customers for goods purchased in the ordinary course of business;
  - (c) Indebtedness owed on a short-term basis of no longer than 60 days to banks and other financial institutions Incurred in the ordinary course of business of the Issuer and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and its Restricted Subsidiaries; and
  - (d) Indebtedness Incurred by the Issuer or a Restricted Subsidiary in connection with bankers' acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case Incurred or undertaken in the ordinary course of business on arm's length commercial terms;
- (11) Indebtedness (including any Refinancing Indebtedness in respect thereof) of the Issuer or any of its Restricted Subsidiaries in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares, an Excluded Contribution or a Parent Debt Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares, an Excluded Contribution or a Parent Debt Contribution) of the Issuer, in each case, subsequent to the Issue Date; *provided, however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6) and (10) of the second paragraph of the "*Limitation on Restricted Payments*" covenant below to the extent the Issuer and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of incurring Indebtedness pursuant to this clause (11) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the second paragraph of the "*Limitation on Restricted Payments*" covenant below in reliance thereon;

- (12) any Guarantees by the Issuer or any Senior Secured Notes Guarantor of Parent Debt, the net proceeds of which have been lent to the Issuer pursuant to an Issuer Proceeds Loan; *provided* that such Issuer Proceeds Loan has been Incurred in compliance with this covenant other than this clause (12); *provided, further*, that such Guarantees are subordinated to the Senior Secured Notes and the Senior Secured Notes Guarantees, as applicable, pursuant to the New Intercreditor Agreement or an Additional Intercreditor Agreement and that such Issuer Proceeds Loan is pledged to secure the Senior Secured Notes and the Senior Secured Notes Guarantees on a senior basis in accordance with the New Intercreditor Agreement and any Additional Intercreditor Agreement;
- (13) Indebtedness of the Issuer or any Restricted Subsidiary consisting of local lines of credit and overdraft facilities in an aggregate amount at any time outstanding not exceeding the greater of (x) €5 million and (y) 4.8% of Consolidated EBITDA in the aggregate outstanding at any one time;
- (14) Indebtedness under daylight borrowing facilities Incurred in connection with any refinancing of Indebtedness (including by way of set-off or exchange) so long as any such Indebtedness is repaid within three days of the date on which such Indebtedness is Incurred;
- (15) Indebtedness (including any Refinancing Indebtedness in respect thereof) of the Issuer or any Restricted Subsidiary in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (15) and then outstanding, will not exceed the greater of (x) €40 million and (y) 38.4% of Consolidated EBITDA; and
- (16) Indebtedness of the Issuer or any Restricted Subsidiary consisting of leases (including Capitalized Lease Obligations) or other obligations existing on the Issue Date or incurred thereafter that would have been treated as operating leases under IAS 17 (*Leases*), as in effect on December 31, 2018, before the implementation of IFRS 16 (*Leases*).

For purposes of determining compliance with, and the outstanding amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

- (1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant; *provided* that (a) all Indebtedness outstanding under the New Revolving Credit Facility shall be deemed initially Incurred under clause (1) of the second paragraph of this covenant and not the first paragraph or clause (4)(b) of the second paragraph of the description of this covenant, and may not be reclassified and (b) all Senior Secured Indebtedness Incurred under clause (1) or (7) of the second paragraph of this covenant that is secured by Liens on Senior Secured Notes Collateral that is accorded super senior priority status with respect to proceeds of enforcement of Senior Secured Notes Collateral under the New Intercreditor Agreement or any Additional Intercreditor Agreement pursuant to clause (1) or (7) of the second paragraph may not be reclassified;
- (2) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;
- (3) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7), (13) or (15) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;
- (4) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greatest of (x) the maximum mandatory redemption, (y) repurchase price (not including, in either case, any redemption or repurchase premium) and (z) the liquidation preference thereof;
- (5) when calculating the availability under any basket or ratio under the Senior Secured Notes 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 for such Limited Condition Acquisition are entered into and such baskets or ratios shall be calculated on a *pro forma* basis 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 reference 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). For the avoidance of doubt, (x) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in 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 and the related transactions are permitted hereunder and (y) 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, any such transactions (including any Incurrence of Indebtedness and the use of proceeds thereof) shall be deemed to have occurred on the date the definitive agreements are entered and outstanding thereafter for purposes of calculating any baskets or ratios under the Senior Secured Notes Indenture after the date of such agreement and before the consummation of such Limited Condition Acquisition; and

- (6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS, will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this "*—Limitation on Indebtedness*". The amount of any Indebtedness outstanding as of any date will be: (i) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS and (ii) the principal amount of the Indebtedness, in the case of any other Indebtedness. For the purposes of determining any particular amount of Indebtedness under this "*—Limitation on Indebtedness*" covenant, obligations with respect to letters of credit, Guarantees or Liens, in each case supporting Indebtedness otherwise included in the determination of such particular amount will not be included.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary of the Issuer as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this "*—Limitation on Indebtedness*", the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the aggregate principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided that* (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced; (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the

Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

### **Limitation on Restricted Payments**

The Issuer will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

- (1) declare or pay any dividend or make any other payment or distribution on or in respect of the Issuer's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) except:
  - (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer or in Subordinated Shareholder Funding; or
  - (b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or any Restricted Subsidiary of the Issuer on no more than a *pro rata* basis, measured by value);
- (2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any direct or indirect Parent Entity of the Issuer or any Holding AA Entity held by Persons other than the Issuer or a Restricted Subsidiary of the Issuer (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));
- (3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness including, for the avoidance of doubt, the Senior Subordinated Notes (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the "*—Limitation on Indebtedness*" covenant) or make any cash interest payment or any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Shareholder Funding including, for the avoidance of doubt, the Shareholder Bonds; or
- (4) make any Restricted Investment in any Person (any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (4) are referred to herein as a "*Restricted Payment*"), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:
  - (a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);
  - (b) the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph of the "*—Limitation on Indebtedness*" covenant after giving effect, on a *pro forma* basis, to such Restricted Payment; or
  - (c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5) (without duplication of amounts paid pursuant to any other clause of the succeeding paragraph), (10), (21)(i)(A) and (21)(ii) of the succeeding paragraph, but excluding all other Restricted Payments permitted by the succeeding paragraph) would exceed the sum of (without duplication):
    - (i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the first fiscal quarter commencing immediately after the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer are available (or, in the case such Consolidated Net Income is a deficit, *minus* 100% of such deficit); *plus*

- (ii) 100% of the aggregate Net Cash Proceeds, and the fair market value of property or assets or marketable securities, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Issue Date (other than (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the second succeeding paragraph and (z) Excluded Contributions or Parent Debt Contributions); *plus*
- (iii) 100% of the aggregate 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 to the Issuer or a Restricted Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (*plus* the amount of any cash, and the fair market value of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary upon such conversion or exchange) but excluding (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the succeeding paragraph and (y) Excluded Contributions or Parent Debt Contributions; *plus*
- (iv) the amount equal to the net reduction in Restricted Investments made by the Issuer or any of its Restricted Subsidiaries resulting from:
  - (A) repurchases, redemptions or other acquisitions or retirements of any such Restricted Investment, proceeds realized upon the sale or other disposition to a Person other than the Issuer or a Restricted Subsidiary of any such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to the Issuer or any Restricted Subsidiary; or
  - (B) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued, in each case, as provided in the definition of "Investment") not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Issuer or any Restricted Subsidiary in such Unrestricted Subsidiary, which amount, in each case under this clause (iv), constituted a Restricted Payment made after the Issue Date; *provided, however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included under this clause (iv); *plus*
- (v) the amount of the cash and the fair market value of property or assets or of marketable securities received by the Issuer or any of its Restricted Subsidiaries in connection with:
  - (A) the sale or other disposition (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted

Subsidiary) of Capital Stock of an Unrestricted Subsidiary of the Issuer; and

- (B) any dividend or distribution made by an Unrestricted Subsidiary to the Issuer or a Restricted Subsidiary;

*provided, however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included under this clause (v); *further provided* that upon a Specified Change of Control Event, all amounts calculated pursuant to this clause (c) shall be reset at zero and all references to the Issue Date in this clause (c) shall thereafter refer to the date of such Specified Change of Control Event; *further provided* that notwithstanding the foregoing, (x) any amounts (such amounts, the "*Excluded Amounts*") that would otherwise be included in the calculation of the amount available for Restricted Payments pursuant to the preceding clause (c) will be excluded to the extent (1) such amounts result from the receipt of Net Cash Proceeds or marketable securities received from the Initial Investors in contemplation of, or in connection with, an event that would otherwise constitute a Change of Control Triggering Event, (2) the purpose of the receipt of such Net Cash Proceeds or marketable securities was to reduce the Consolidated Net Leverage Ratio so that there would be an occurrence of a Specified Change of Control Event that would not have been achieved without the receipt of such Net Cash Proceeds or marketable securities and (3) no Change of Control Offer is made in connection with such Change of Control Triggering Event in accordance with the requirements of the Senior Secured Notes Indenture and (y) Excluded Amounts shall be limited to the amount of Net Cash Proceeds or marketable securities necessary to reduce the Consolidated Net Leverage Ratio to cause the occurrence of a Specified Change of Control Event, and amounts of Net Cash Proceeds or marketable securities received in excess thereof shall not constitute Excluded Amounts.

The fair market value of property or assets other than cash covered by the preceding sentence shall be the fair market value thereof as determined conclusively by an Officer or the Board of Directors of the Issuer acting in good faith; *provided* that any determination of the fair market value of such property or assets in excess of €10 million shall be made solely by the Board of Directors of the Issuer.

The foregoing provisions will not prohibit any of the following (collectively, "*Permitted Payments*"):

- (1) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution, Excluded Amounts or a Parent Debt Contribution) of the Issuer; *provided, however*, that to the extent so applied, the Net Cash Proceeds, or fair market value of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the first paragraph describing this covenant or to be net cash proceeds from an Equity Offering for the purposes of the "Optional Redemption" provisions of the Senior Secured Notes;
- (2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made in exchange for, or out of the proceeds of the substantially concurrent Incurrence of, Refinancing Indebtedness permitted to be Incurred pursuant to the "*Limitation on Indebtedness*" covenant above;
- (3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made in exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the "*Limitation on Indebtedness*" covenant above, and that in each case, constitutes Refinancing Indebtedness;
- (4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness;

- (a)
    - (i) from Net Available Cash to the extent permitted under "*—Limitation on sales of assets and subsidiary stock*" below, but only if the Issuer shall have complied with the terms described under "*—Limitation on sales of assets and subsidiary stock*" and purchased all Senior Secured Notes tendered pursuant to any offer to repurchase all the Senior Secured Notes required thereby, prior to or substantially concurrently with purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness *plus* accrued and unpaid interest;
    - (b) to the extent required by the agreement governing such Subordinated Indebtedness, following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if required, if the Issuer shall have complied with the terms described under "*—Change of Control*" and purchased all Senior Secured Notes tendered pursuant to the offer to repurchase all the Senior Secured Notes required thereby, prior to or substantially concurrently with purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness *plus* accrued and unpaid interest; or
    - (c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness *plus* accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness;
- (5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant or the redemption, repurchase or retirement of Indebtedness if, at the date of any redemption notice, such payment would have complied with the provisions of the Senior Secured Notes Indenture as if it were and is deemed at such time to be a Restricted Payment at the time of such notice;
- (6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary, any Parent Entity or any Holding AA Entity (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent Entity, any Holding AA Entity or any entity formed for the purpose of investing in Capital Stock of the Issuer to permit any Parent Entity, any Holding AA Entity or such other entity to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary, any Parent Entity or any Holding AA Entity (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary, any Parent Entity or any Holding AA Entity (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (1) €7.5 million, *plus* €2.0 million multiplied by the number of fiscal years that have commenced since the Issue Date, *plus* (2) the Net Cash Proceeds received by the Issuer or its Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent Entity or a Holding AA Entity) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), to the extent such Net Cash Proceeds have not otherwise been designated as Excluded Contributions, Excluded Amounts or Parent Debt Contributions and are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant;
- (7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the "*—Limitation on Indebtedness*" covenant above;

- (8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;
- (9) dividends, loans, advances or distributions to any Parent Entity or any Holding AA Entity or other payments by the Issuer or any Restricted Subsidiary to Affiliates in amounts not to exceed (without duplication) the following amounts (rounded up to the next higher hundred thousand euro):
  - (a) any Parent Expenses or any Related Taxes; or
  - (b) amounts constituting or to be used for purposes of making payments (i) of fees and expenses Incurred in connection with the Transactions or (ii) to the extent specified in clauses (2), (3), (5), (11), (12), (13) and (16) of the second paragraph under "*Limitation on Affiliate Transactions*";
- (10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Issuer of, or loans, advances, dividends or distributions on the common stock or common equity interests of the Issuer or any Parent Entity following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (x) 6% of the Net Cash Proceeds received by the Issuer from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or through an Excluded Contribution, Excluded Amount or a Parent Debt Contribution) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer and (y) following the Initial Public Offering, an amount equal to the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; *provided* that after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 3.75 to 1.00; *provided, further* that, if such Public Offering was of Capital Stock of a Parent Entity, the net proceeds of any such dividends or distributions are used to fund a corresponding dividend or other distribution in equal or greater amount on the Capital Stock of such Parent Entity;
- (11) payments by the Issuer, or loans, advances, dividends or distributions to make payments, to holders of Capital Stock of the Issuer or any Parent Entity in lieu of the issuance of fractional shares of such Capital Stock; *provided, however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by an Officer or the Board of Directors of the Issuer);
- (12) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (12);
- (13) payment of any Receivables Fees, sales contributions and other transfers of Receivables Assets and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in each case in connection with a Qualified Receivables Financing;
- (14) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent Entity or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent Entity or Affiliate issued after the Issue Date; *provided, however*, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (14) shall not exceed the Net Cash Proceeds received by the Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock, an Excluded Contribution or a Parent Debt Contribution or, in the case of Designated Preference Shares by a Parent Entity or an Affiliate, the issuance of Designated Preference Shares) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer, as applicable, from the issuance or sale of such Designated Preference Shares;
- (15) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

- (16) any Restricted Payment made in connection with the Transactions or used to fund amounts owed to Affiliates in connection with the Transactions (including dividends to any Parent Entity to permit payment by such Parent Entity of such amounts);
- (17) (i) payment under an Issuer Proceeds Loan Incurred in compliance with the "*—Limitation on Indebtedness*" covenant, other than clause (12) of the second paragraph of such covenant, for the purpose of making corresponding interest payments on the applicable Indebtedness Incurred by a Parent Entity, and (ii) (A) payments of cash, dividends, distributions, capital reduction, repayment or repurchase of Subordinated Shareholder Funding, loans, advances or any other Restricted Payment by the Issuer or any of its Restricted Subsidiaries to a Parent Entity for the purposes of making corresponding interest payments on any Parent Debt (whether directly or indirectly through a Parent Entity) and (B) solely to effect the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of any Parent Debt permitted pursuant to clause (4) of this paragraph; *provided* that, (x) in each case, the Parent Entity applies such payments substantially concurrently with the receipt of such payments and (y) in the case of (ii), such payments to such Parent Entity may only be made to the extent that the net proceeds of the Parent Debt for which the corresponding payment is to be made have been contributed to the Issuer or any of its Restricted Subsidiaries as a Parent Debt Contribution; *provided, further*, that any payments on Parent Debt pursuant to subclause (ii) may only be made if, at the time such Parent Debt was Incurred by the Parent Entity, the Issuer could have Incurred, or provided a Guarantee for, Indebtedness pursuant to the "*—Limitation on Indebtedness*" covenant in an aggregate amount equal to the amount of Parent Debt on which interest payments are sought to be made pursuant to subclause (ii);
- (18) payment to, or loans, advances, dividends or distributions to any Parent Entity or any Holding AA Entity to make payments to, Mr. Alain Afflelou or entities controlled by him under agreements between the Issuer, any of its Restricted Subsidiaries, any Parent Entity or any Holding AA Entity and Mr. Alain Afflelou or entities controlled by him, not to exceed €2 million per fiscal year, and excluding compensation paid to Mr. Alain Afflelou in his capacity as Chairman of the Board of Directors;
- (19) *[Reserved]*;
- (20) payments or distributions to dissenting stockholders pursuant to applicable law (including in connection with, or as a result of, exercise of appraisal rights and the settlement of any claims or action (whether actual, contingent or potential)), pursuant to or in connection with a consolidation, merger or transfer of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries, taken as a whole, that complies with the "*—Merger and consolidation*" covenant; and
- (21) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), (i) (A) Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of (x) €35 million and (y) 33.6% of Consolidated EBITDA, *plus* (B) €6 million per annum, with any unused amounts in any fiscal year not carried over and (ii) any other Restricted Payment if the Consolidated Net Leverage Ratio on a *pro forma* basis after giving effect to such Restricted Payment does not exceed 3.50 to 1.00.

For purposes of determining compliance with this covenant, in the event that a Restricted Payment (or portion thereof) meets the criteria of more than one of the categories of Permitted Payments described in clauses (1) through (21) above, or is permitted pursuant to the first paragraph of this covenant and/or one or more of the clauses contained in the definition of "Permitted Investments", the Issuer will be entitled to classify such Restricted Payment or Investment (or portion thereof) on the date of its payment or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment or Investment (or portion thereof) in any manner that complies with this covenant, including in each case as an Investment pursuant to one or more of the clauses contained in the definition of "Permitted Investments" and may aggregate capacity in multiple clauses of the definition of "Permitted Payments" above, the first paragraph of this covenant and/or in the definition of "Permitted Investments" in any manner that complies with this covenant.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by an Officer or the Board of

Directors of the Issuer acting in good faith, *provided* that any determination of the fair market value of a non-cash Restricted Payment in excess of €10 million shall be made solely by the Board of Directors of the Issuer.

### **Limitation on Liens**

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur or suffer to exist any Lien (other than Permitted Liens) upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Issuer), in each case whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "*Initial Lien*"), except (a) in the case of any property or asset that does not constitute Senior Secured Notes Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Senior Secured Notes and the Senior Secured Notes Indenture (or a Senior Secured Notes Guarantee in the case of Liens of a Senior Secured Notes Guarantor) are directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, or in the case of Liens securing Indebtedness Incurred pursuant to clauses (1), (6) or (7) of the second paragraph of the "*Limitation on Indebtedness*" covenant, *pari passu* with (except that such Indebtedness may receive priority in respect of distributions of proceeds of any enforcement of Collateral) the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Senior Secured Notes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Senior Secured Notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "*Security—Release of Liens*".

### **Limitation on restrictions on distributions from Restricted Subsidiaries**

The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

- (A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock to the Issuer or pay any Indebtedness or other obligations owed to the Issuer;
- (B) make any loans or advances to the Issuer; or
- (C) sell, lease or transfer any of its property or assets to the Issuer;

*provided* that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

- (1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the New Revolving Credit Facility); or (b) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date, and any amendments, restatements, modifications, renewals, supplements, refunding, replacements or refinancings of those agreements referred to in clauses (a) and (b); *provided* that such amendments, restatements, modifications, renewals, supplements, refunding, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payments restrictions than those contained in those agreements on the Issue Date, as applicable (as determined in good faith by the Issuer);
- (2) any encumbrances or restrictions existing under or by reason of the Senior Secured Notes Indenture, the Senior Secured Notes, the Senior Secured Notes Guarantees, Senior Subordinated Notes Indenture, the Senior Subordinated Notes, the Senior Subordinated Notes Guarantees, the New Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents and the security documents with respect to the Senior Subordinated Notes;
- (3) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the



Issuer or any Restricted Subsidiary or was designated a Restricted Subsidiary, or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or any Restricted Subsidiary or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (3), if another Person is the Successor Company, any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Company;

- (4) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1), (2) or (3) of this paragraph or this clause (4) (an "*Initial Agreement*") or contained in any amendment, supplement or other modification to an agreement referred to in clause (1), (2) or (3) of this paragraph or this clause (4); *provided, however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument (i) are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Issuer) or (ii) are customary in comparable financings and where, in the case of this sub-clause (ii), the Issuer determines at the time of Incurrence of such Indebtedness that such encumbrances or restrictions would not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Senior Secured Notes (as determined in good faith by the Issuer);
- (5) any encumbrance or restriction:
  - (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;
  - (b) contained in mortgages, pledges or other security agreements permitted under the Senior Secured Notes Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Senior Secured Notes Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to 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;
- (6) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Senior Secured Notes Indenture, in each case, that impose encumbrances or restrictions on the property so acquired or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;
- (7) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;
- (8) provisions in leases, licenses, joint venture agreements and other similar agreements and instruments;
- (9) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;
- (10) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

- (11) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;
- (12) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the "*—Limitation on Indebtedness*" covenant (other than any refinancing of Indebtedness which is subject to clause (4) above) (i) 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 Senior Secured Notes (in the good faith determination of the Issuer) than the encumbrances and restrictions contained in the New Revolving Credit Facility, the Senior Secured Notes, the Senior Secured Notes Indenture, the Senior Subordinated Notes, the Senior Subordinated Notes Indenture, the Security Documents, the security documents with respect to the Senior Subordinated Notes and the New Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) where the Issuer determines at the time of issuance of such Indebtedness that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Senior Secured Notes as and when they become due or (b) constituting an Additional Intercreditor Agreement;
- (13) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of an Officer or the Board of Directors of the Issuer, are necessary or advisable to effect such Qualified Receivables Financing; or
- (14) any encumbrance or restriction existing by reason of any lien permitted under "*—Limitation on Liens*".

#### **Limitation on sales of assets and subsidiary stock**

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

- (1) the Issuer or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) 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 an Officer or the Board of Directors of the Issuer, of the shares and/or assets subject to such Asset Disposition (including, and for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap); and
- (2) in any such Asset Disposition, or series of related Asset Dispositions (except to the extent the Asset Disposition is a Permitted Asset Swap), at least 75% of the consideration from such Asset Disposition (excluding any consideration by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise, other than Indebtedness) received by the Issuer or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments.

After the receipt of Net Available Cash from an Asset Disposition, the Issuer (or the applicable Restricted Subsidiary, as the case may be) may apply an amount equal to such Net Available Cash (at the option of the Issuer or Restricted Subsidiary):

- (a) (i) to prepay, repay, purchase or redeem any Indebtedness Incurred under clause (1) of the second paragraph of the "*—Limitation on Indebtedness*" covenant or any Refinancing Indebtedness in respect thereof within 365 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash; *provided, however,* that in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a) (except in the case of any revolving Indebtedness, including but not limited, to the New Revolving Credit Facility), the Issuer or such Restricted Subsidiary will be required to retire such Indebtedness or cause the related commitment to be permanently reduced; (ii) unless included in (a)(i), to prepay, repay, purchase or redeem *Pari Passu* Indebtedness that is secured in whole or in part by a Lien on the Senior Secured Notes Collateral which Lien ranks *pari passu* with the Liens securing the Senior Secured Notes and the Senior Secured Notes Guarantees at a price of no more than 100% of the principal amount of such *Pari Passu* Indebtedness *plus* accrued and unpaid interest to the date of such prepayment,

repayment, purchase or redemption so long as the Issuer or such Restricted Subsidiary makes an offer on a *pro rata* basis to all Holders of the Senior Secured Notes at a purchase price equal to 100% of the principal amount of the Senior Secured Notes, *plus* accrued and unpaid interest thereon and Additional Amounts, if any, to (but not including) the date of purchase; (iii) to prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary of the Issuer that is not a Senior Secured Notes Guarantor or any Indebtedness that is secured on assets which do not constitute Senior Secured Notes Collateral (in each case, other than Subordinated Indebtedness of the Issuer or a Senior Secured Notes Guarantor or Indebtedness owed to the Issuer or any Restricted Subsidiary); or (iv) to purchase the Senior Secured Notes pursuant to an offer to all Holders of Senior Secured Notes at a purchase price in cash equal to at least 100% of the principal amount of the Senior Secured Notes, *plus* accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date);

- (b) to the extent the Issuer or such Restricted Subsidiary elects, to invest in or purchase or commit to invest in or purchase Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Issuer or any Restricted Subsidiary of the Issuer) within 365 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided, however*, that any such reinvestment in Additional Assets made pursuant to a definitive binding agreement or pursuant to a commitment approved by the Board of Directors of the Issuer that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 180 days of such 365th day;
- (c) to make a capital expenditure within 365 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash; *provided, however*, that any such capital expenditure made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors of the Issuer that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 180 days of such 365th day; or
- (d) any combination of the foregoing;

*provided* that, pending the final application of any such Net Available Cash in accordance with clause (a), (b), (c) or (d) above, the Issuer and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Senior Secured Notes Indenture.

If an amount less than the Net Available Cash from Asset Dispositions is applied or invested or committed to be applied or invested as provided in the preceding paragraph, an amount equal to the difference will be deemed to constitute "*Excess Proceeds*". On the 366th day (or the 546th day, in the case of any Net Available Cash committed to be used pursuant to pursuant to a definitive binding agreement or commitment approved by the Board of Directors of the Issuer pursuant to clauses (b) or (c) of the second paragraph of this covenant), after the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash, if the aggregate amount of Excess Proceeds exceeds €20 million, the Issuer will be required within ten Business Days thereof to make an offer ("*Asset Disposition Offer*") to all Holders of Senior Secured Notes and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of Senior Secured Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Senior Secured Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Senior Secured Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, *plus* accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Senior Secured Notes Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, and in the case of the Senior Secured Notes, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The Issuer or a Restricted Subsidiary, as the case may be, may make an Asset Disposition Offer prior to the expiration of the 365-day period mentioned above.

To the extent that the aggregate amount of Senior Secured 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 Senior Secured Notes Indenture. If the aggregate principal amount of the Senior Secured Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Senior Secured Notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Senior Secured Notes and Pari Passu Indebtedness, or by such other method as (i) the Senior Secured Notes Trustee and (ii) the trustee, agent or similar representative of such Pari Passu Indebtedness, after consultation with the Issuer, deem fair and appropriate (and in such manner as complies with applicable legal, depositary and exchange requirements). For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero. The Senior Secured Notes Trustee shall not have any liability in connection with any method elected under this paragraph.

To the extent that any portion of Net Available Cash payable in respect of the Senior Secured Notes is denominated in a currency other than the currency in which the relevant Senior Secured Notes are denominated, the amount thereof payable in respect of such Senior Secured Notes shall not exceed the net amount of funds in the currency in which such Senior Secured Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, in so far as it relates to the Senior Secured Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "*Asset Disposition Offer Period*"). No later than five (5) Business Days after the termination of the Asset Disposition Offer Period (the "*Asset Disposition Purchase Date*"), the Issuer will purchase the principal amount of Senior Secured Notes and, to the extent it elects, Pari Passu Indebtedness required to be purchased by it pursuant to this covenant (the "*Asset Disposition Offer Amount*") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Senior Secured Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Senior Secured Notes and Pari Passu Indebtedness or portions of Senior Secured 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 Senior Secured Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and, in the case of the Senior Secured Notes, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Senior Secured Notes Trustee an Officer's Certificate stating that such Senior Secured Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder of Senior Secured Notes an amount equal to the purchase price of the Senior Secured Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Senior Secured Note (or amend the applicable Global Note), and the Senior Secured Notes Trustee, upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Senior Secured Note to such Holder, in a principal amount equal to any unpurchased portion of the Senior Secured Note surrendered; *provided* that each such new Senior Secured Note will be in a principal amount with a minimum denomination of €100,000 and in integral multiples of €1,000 in excess thereof. Any Senior Secured Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the Holder thereof.

For the purposes of clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

- (1) the assumption by the transferee of Indebtedness of the Issuer or other liabilities (other than contingent liabilities) recorded on the balance sheet of the Issuer (other than Subordinated Indebtedness of the Issuer) or Indebtedness of a Restricted Subsidiary or other liabilities (other

than contingent liabilities) recorded on the balance sheet of such Restricted Subsidiary and the release of the Issuer or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition;

- (2) securities, notes or other obligations received by the Issuer or any Restricted Subsidiary of the Issuer from the transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition;
- (3) 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 Restricted Subsidiary of the Issuer are released from any Senior Secured Notes Guarantee of payment of such Indebtedness in connection with such Asset Disposition;
- (4) consideration consisting of Indebtedness of the Issuer or any Senior Secured Notes Guarantor (other than Subordinated Indebtedness) received after the Issue Date from Persons who are not the Issuer or any Restricted Subsidiary; and
- (5) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary in such Asset Dispositions having an aggregate fair market value, as determined in good faith by an Officer or the Board of Directors of the Issuer, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed the greater of (x) €10 million and (y) 9.6% of Consolidated EBITDA (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).

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Senior Secured Notes pursuant to the Senior Secured Notes Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Senior Secured Notes Indenture by virtue of any conflict.

#### **Limitation on Affiliate Transactions**

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (any such transaction or series of related transactions being "*Affiliate Transactions*") involving aggregate value in excess of €5 million unless:

- (1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's length dealings with a Person who is not such an Affiliate; and
- (2) in the event such Affiliate Transaction involves an aggregate value in excess of €10 million, the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the members of the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above.

The provisions of the preceding paragraph will not apply to:

- (1) any Restricted Payment permitted to be made pursuant to the "*—Limitation on Restricted Payments*" covenant, any Permitted Payments or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b) and (2) of the definition thereof);
- (2) any issuance or sale of Capital Stock, options, other equity related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary, any Parent Entity or any Holding AA Entity, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or

- indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business;
- (3) any Management Advances and any waiver or transaction with respect thereto;
  - (4) any transaction between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries or any Receivables Subsidiary;
  - (5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary of the Issuer or any Parent Entity (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);
  - (6) the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect in the good faith judgment of the Issuer and the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering; *provided* that such performance does not involve the payment of fees or commissions to Affiliates and does not involve the payment of underwriting fees, commissions or discounts on behalf of shares sold by Affiliates;
  - (7) *[Reserved]*;
  - (8) transactions with customers, clients, suppliers or purchasers, sellers of goods or services or franchisees, in each case in the ordinary course of business (including, without limitation, pursuant to joint venture arrangements), which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an Officer of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;
  - (9) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;
  - (10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the Issuer in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Senior Secured Notes Indenture, the New Intercreditor Agreement and any Additional Intercreditor Agreement, as applicable;
  - (11) without duplication in respect of payments made pursuant to clause (12) hereof, (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent Entity or any Holding AA Entity) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount, not to exceed €4 million per fiscal year and (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent Entity or any Holding AA Entity) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions, divestitures or joint ventures, which payments in respect of this clause (b) are approved in good faith by a majority of disinterested members of the Board of Directors of the Issuer;
  - (12) payment to any Permitted Holder of all reasonable out of pocket expenses Incurred by such Permitted Holder in connection with its direct or indirect investment in the Issuer and its Subsidiaries;

- (13) any transaction effected as part of a Qualified Receivables Financing;
- (14) any transactions for which the Issuer or a Restricted Subsidiary delivers to the Senior Secured Notes Trustee a letter from an Independent Financial Advisor stating that such transaction is (i) fair to the Issuer or such Restricted Subsidiary from a financial point of view or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate;
- (15) the Transactions; and
- (16) any Permitted Reorganization.

### **Maintenance of listing**

The Issuer will use its commercially reasonable efforts to list, and maintain the listing, of the Senior Secured Notes on the Global Exchange Market of Euronext Dublin for so long as such Senior Secured Notes are outstanding; *provided* that if at any time the Issuer determines that it will not so list or maintain such listing, it will use its commercially reasonable efforts to obtain (prior to the delisting of the Senior Secured Notes, if applicable) and maintain a listing on another recognized stock exchange.

### **Limitation on Issuer activities**

The Issuer shall not carry on any material business or own any material assets or incur any indebtedness other than:

- (1) the ownership of shares or other debt or equity interests in 3AB Optique Développement or in any of its Successor Company or surviving Person as a result of a consolidation, merger, Permitted Reorganization or any transaction permitted by the "—Merger and consolidation—The Senior Secured Notes Guarantors" covenant and the Senior Secured Notes Indenture;
- (2) the provision of administrative services, legal, accounting and management services to its Subsidiaries of a type customarily provided by a holding company to its Subsidiaries and the ownership of assets necessary to provide such services;
- (3) (a) the pledging of assets permitted to be or not prohibited from being secured pursuant to the Senior Secured Notes Indenture or the Senior Subordinated Notes Indenture, (b) the Incurrence of Liens that are described in the definition of "Permitted Liens" and (c) granting the relevant Liens under the Security Documents and security documents with respect to the Senior Subordinated Notes;
- (4) (i) (A) liabilities and performance of obligations and exercise of rights under the Senior Secured Notes, its Senior Secured Notes Guarantee, the Senior Secured Notes Indenture, Senior Subordinated Notes, its Senior Subordinated Notes Guarantee, the Senior Subordinated Notes Indenture, the New Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents, the security documents with respect to the Senior Subordinated Notes, the New Revolving Credit Facility or Hedging Obligations and (B) liabilities and performance of obligations and exercise of rights under Guarantees given it to guarantee any Indebtedness of the Issuer or any of its Restricted Subsidiaries permitted to be Incurred under the Senior Secured Notes Indenture or the Senior Subordinated Notes Indenture and subject to the terms of the New Intercreditor Agreement and (ii) (A) Incurring any Indebtedness permitted or not prohibited by the Senior Secured Notes Indenture, the Senior Subordinated Notes Indenture and the New Intercreditor Agreement or any Additional Intercreditor Agreement and (B) other liabilities and performance of obligations and exercise of rights under any Indebtedness permitted or not prohibited to be Incurred under the Senior Secured Notes Indenture or the Senior Subordinated Notes Indenture;
- (5) the ownership of cash, Cash Equivalents and Temporary Cash Investments;
- (6) *[Reserved]*;
- (7) pursuant to or in connection with the Transactions;
- (8) entry into and performance of obligations in respect of (i) contracts and agreements with its officers, directors and employees, (ii) subscription or purchase agreements for securities and/or preferred equity certificates, public offering rights agreements, voting and other stockholder agreements, engagement letters, underwriting agreements, agreements with rating agencies and other agreements in respect of its securities or any offering, issuance or sale thereof, (iii)

engagement letters and reliance letters in respect of legal, accounting and other advice and/or reports received and/or commissioned by it, in each case, in relation to transactions which are authorized or not otherwise prohibited by the Senior Secured Notes Indenture or the Senior Subordinated Notes Indenture and (iv) Indebtedness owed by or to any Parent Entity, Subsidiary or Permitted Holder;

- (9) paying dividends, making distributions and other payments and making loans or advances to shareholders (and the receipt of repayments of any loans or advances) and pledging of assets to the extent not otherwise prohibited under the New Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents and the security documents with respect to the Senior Subordinated Notes;
- (10) (i) the listing of its Capital Stock or convertible bonds and the issuance, offering and sale of its Capital Stock or convertible bonds (including in a Public Offering), including compliance with applicable regulatory and other obligations in connection therewith, (ii) using the net cash proceeds of such issuance, or exchanging or converting such instruments, to fund the purchase, repurchase or redemption of, any Indebtedness or other equity or debt instrument of any Parent Entity or the Issuer, or to contribute to the common equity of its direct Subsidiaries, to the extent permitted or not otherwise prohibited by the Senior Secured Notes Indenture, the Senior Subordinated Notes Indenture, the relevant Security Documents and the relevant security documents with respect to the Senior Subordinated Notes; and (iii) any purchase, repurchase, redemption, or the performance of the terms and conditions of, and exercise of rights in respect of, the foregoing, to the extent such activities are otherwise permitted or not otherwise prohibited by the Senior Secured Notes Indenture, the Senior Subordinated Notes Indenture, the relevant Security Documents and the relevant security documents with respect to the Senior Subordinated Notes, in each case, in relation to transactions authorized or not otherwise prohibited by the Senior Secured Notes Indenture or the Senior Subordinated Notes Indenture;
- (11) the performance of obligations and exercise of rights under contracts or arrangements (including loans and bonds and other indebtedness) with any Permitted Holder, any Parent Entity, any Holding AA Entity or any Subsidiary entered into in compliance with the Secured Notes Indenture or the Senior Subordinated Notes Indenture;
- (12) the undertaking of a Permitted Reorganization;
- (13) activities specifically permitted in connection with a Permitted Investment, other than the ownership of shares or other debt or equity interests in any entity other than 3AB Optique Développement or any of its Successor Company or surviving Person as a result of a consolidation, merger, Permitted Reorganization or any transaction permitted by the "*—Merger and consolidation—The Senior Secured Notes Guarantors*" covenant and the Senior Secured Notes Indenture;
- (14) other activities not specifically enumerated above that are incidental to the foregoing or are *de minimis* in nature or consistent with activities undertaken on the Issue Date; or
- (15) from time to time, receipt in a transaction otherwise permitted under the Senior Secured Notes Indenture, the Senior Subordinated Notes Indenture, the Security Documents or the security documents with respect to the Senior Subordinated Notes of properties and assets (including cash, Cash Equivalents, Temporary Cash Investments, shares of Capital Stock of another Person and/or Indebtedness and other obligations) for the purpose of transferring such properties and assets to any Parent Entity, any Subsidiary or any other Person, so long as in any case such further transfer is made promptly by the Issuer.

## Reports

For so long as any Senior Secured Notes are outstanding, the Issuer will provide to the Senior Secured Notes Trustee the following reports:

- (1) within 120 days after the end of each fiscal year of the Issuer beginning with the year ending July 31, 2021, annual reports containing, to the extent applicable, the following information: (a) audited consolidated balance sheets 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 three most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) unaudited *pro forma*



income statement information and balance sheet information of the Issuer (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year; (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Issuer, and a discussion of material commitments and contingencies and critical accounting policies; (d) description of the business, management and shareholders of the Issuer, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; and (e) a description of material risk factors and material recent developments;

- (2) within 60 days following the end of the first three fiscal quarters in each fiscal year of the Issuer beginning with the quarter ending April 30, 2021, all quarterly reports of the Issuer 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 most recent year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods, together with condensed footnote disclosure; (b) unaudited *pro forma* income statement information and balance sheet information, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the relevant fiscal quarter (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available); (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, EBITDA and material changes in liquidity and capital resources, and a discussion of material changes not in the ordinary course of business in commitments and contingencies since the most recent report; and (d) material recent developments and any material changes to the risk factors disclosed in the most recent annual report; and
- (3) promptly after the occurrence of any material acquisition, disposition or restructuring, merger or similar transaction, or any change in the Chief Executive Officer, the Chief Financial Officer or the Chairman of the Supervisory Board 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.

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. generally accepted accounting principles. Except as provided for above, no report need include separate financial statements for the Issuer or Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in the Offering Memorandum. In addition, no financial information required pursuant to clause (1) above need be audited if not presented on an audited basis by the Issuer in its financial statements included in the Offering Memorandum.

At any time that any of the Issuer's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary of the Issuer, then the annual and quarterly financial information required by the first two clauses of this covenant shall include either (i) a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Group separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer or (ii) standalone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries (as a group or otherwise) together with an unaudited reconciliation to the financial information of the Issuer and its Subsidiaries, which reconciliation shall include the following items: revenue, EBITDA, net income, cash, total assets, total debt, shareholders equity, capital expenditures and interest expense.

Notwithstanding the foregoing, the Issuer may satisfy its obligations under clauses (1) and (2) of the first paragraph of this covenant by delivering the corresponding consolidated annual and quarterly reports of any Parent Entity or any new holding company created following a Permitted Reorganization.

Substantially concurrently with the issuance to the Senior Secured Notes Trustee of the reports specified in (1), (2) and (3) above, the Issuer shall also (a) use its commercially reasonable efforts (i) to post copies of such reports on such website as may be then maintained by the Issuer and its Subsidiaries or (ii) otherwise to provide substantially comparable public availability of such reports (as determined by the Issuer in good faith) or (b) to the extent the Issuer determines in good faith that it cannot make such reports available in the manner described in the preceding clause (a) owing to applicable law or after the use of its commercially reasonable efforts, furnish such reports to the Holders and, upon their request, prospective purchasers of the Senior Secured Notes. In the event that (i) the Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13 (a) with the SEC or (ii) the Issuer elects to provide to the Senior Secured Notes Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of IFRS information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will make available to the Senior Secured Notes Trustee such annual reports, information, documents and other reports that the Issuer is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding five paragraphs.

For so long as the Senior Secured Notes are listed on the Official List of Euronext Dublin for trading on the Global Exchange Market, and the rules of that exchange so require, copies of the Issuer's organizational documents and the Senior Secured Notes Indenture and the most recent consolidated financial statements published by the Issuer may be inspected and obtained at the office of the Paying Agent in Ireland. See "*Listing and general information*".

In addition, so long as the Senior Secured Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Issuer shall furnish to the Holders and, upon their request, prospective purchasers of the Senior Secured Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

In the event that, and for so long as, the equity securities of the Issuer or any Parent Entity are listed on the regulated market of Euronext Paris (or one of the equivalent regulated markets in the EU or the UK) and the Issuer or such Parent Entity is subject to the Admission and Disclosure Standards applicable to issuers of equity securities admitted to trading on the regulated market of Euronext Paris (or the equivalent standards applicable to issuers of equity securities admitted to trading on one or more of the equivalent regulated markets in the EU or the UK), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer or such Parent Entity is, or would be, required to file with Euronext Paris pursuant to such Admission and Disclosure Standards (or the applicable standards of one or more of the equivalent regulated markets in the EU or the UK, as applicable). Upon complying with the foregoing requirements, and provided, that such requirements require the Issuer or any Parent Entity to prepare and file annual reports, information, documents and other reports with the regulated market of Euronext Paris, or one or more of the equivalent regulated markets in the EU or the UK, as applicable, and provided that the Issuer or such Parent Entity additionally provides the reports set forth in paragraph (2) above with respect to its first and third fiscal quarters, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

## **Merger and consolidation**

### *The Issuer*

The Issuer will not consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person, unless:

- (1) the resulting, surviving or transferee Person (the "*Successor Company*") (if not the Issuer) will be a Person organized and existing under the laws of any member state of the Pre-Expansion European Union, Switzerland, Canada or the United States of America, any State of the United States or the District of Columbia and the Successor Company (if not the Issuer) will expressly assume, (a) by supplemental indenture, executed and delivered to the Senior Secured Notes Trustee, in form reasonably satisfactory to the Senior Secured Notes Trustee, all the obligations of the Issuer under the Senior Secured Notes and the Senior Secured Notes Indenture and (b)

all obligations of the Issuer under the New Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;

- (2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction, either (a) the Successor Company would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the first paragraph of the "*—Limitation on Indebtedness*" covenant or (b) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such transaction; and
- (4) the Issuer shall have delivered to the Senior Secured Notes Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Senior Secured Notes Indenture and that all conditions precedent in the Senior Secured Notes Indenture relating to such consolidation, merger or transfer have been satisfied 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 and that all conditions precedent in the Senior Secured Notes Indenture relating to such consolidation, merger or transfer have been satisfied (in each case, in form and substance reasonably satisfactory to the Senior Secured Notes Trustee); *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

Any Indebtedness that becomes an obligation of the Issuer or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the "*—Limitation on Indebtedness*" covenant.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of the Issuer under the Senior Secured Notes Indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Senior Secured Notes Indenture or the Senior Secured Notes.

Notwithstanding the preceding clauses (2) and (3) (which do not apply to transactions referred to in this sentence) and, other than with respect to the second preceding paragraph, notwithstanding clause (4) of the first paragraph of this covenant (which does not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary of the Issuer may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Issuer and (b) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary that is a Senior Secured Notes Guarantor and (c) any Restricted Subsidiary that is not a Senior Secured Notes Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary that is not a Senior Secured Notes Guarantor. Notwithstanding the preceding clause (3) (which does not apply to the transactions referred to in this sentence), the Issuer may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Issuer, reincorporating the Issuer in another jurisdiction, or changing the legal form of the Issuer.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this "*—Merger and consolidation*" covenant) shall not apply to the creation of a new subsidiary as a Restricted Subsidiary of the Issuer.

### *The Senior Secured Notes Guarantors*

None of the Senior Secured Notes Guarantors (other than a Senior Secured Notes Guarantor whose Senior Secured Notes Guarantee is to be released in accordance with the terms of the Senior Secured Notes Indenture or the New Intercreditor Agreement) may:

- (1) consolidate with or merge with or into any Person (whether or not such Senior Secured Notes Guarantor is the surviving corporation),
- (2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person, or
- (3) permit any Person to merge with or into it unless
  - (A) the other Person is the Issuer or any Restricted Subsidiary that is a Senior Secured Notes Guarantor or becomes a Senior Secured Notes Guarantor; or
  - (B) (1) either (x) a Senior Secured Notes Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Senior Secured Notes Guarantor under its Senior Secured Notes Guarantee and the Senior Secured Notes Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Senior Secured Notes Trustee) and all obligations of the Senior Secured Notes Guarantor under the New Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents to which it is a party; and (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or
  - (C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Senior Secured Notes Guarantor or the sale or disposition of all or substantially all the assets of a Senior Secured Notes Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Senior Secured Notes Indenture and the proceeds therefrom are applied as required by the Senior Secured Notes Indenture.

Notwithstanding the preceding clause (B)(2) (which does not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to a Senior Secured Notes Guarantor or the Issuer and (b) any Senior Secured Notes Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Senior Secured Notes Guarantor or the Issuer.

Notwithstanding anything to the contrary contained herein, this "*—Merger and consolidation*" covenant will not apply to any transaction or arrangement that is a Permitted Reorganization.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

### **Suspension of covenants on achievement of investment grade status**

If on any date following the Issue Date, the Senior Secured Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "*Suspension Event*"), then, the Issuer shall notify the Senior Secured Notes Trustee in writing of these events and beginning on that day and continuing until such time, if any, at which the Senior Secured Notes cease to have Investment Grade Status (the "*Reversion Date*"), the provisions of the Senior Secured Notes Indenture summarized under the following captions will not apply to the Senior Secured Notes: "*—Limitation on Restricted Payments*", "*—Limitation on Indebtedness*", "*—Limitation on restrictions on distributions from Restricted Subsidiaries*", "*—Limitation on Affiliate Transactions*", "*—Limitation on sales of assets and subsidiary stock*", "*—Impairment of Security Interest*" and the provisions of clause (3) of the first paragraph of the "*—Merger and consolidation*" covenant and, in each case, any related default provision of the Senior Secured Notes Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries. Upon the occurrence of a Suspension Event, the amount of Excess Proceeds shall be reset to zero.

Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer or any of its Restricted Subsidiaries properly taken during the continuance of the Suspension Event, and (i) the "*—Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Senior Secured Notes Indenture other than during the period beginning with the Suspension Event and ending on the Reversion Date, (ii) any transactions prohibited by the "*—Limitation on Affiliate Transactions*" covenant entered into after such reinstatement pursuant to an agreement entered into during the continuance of the Suspension Event shall be deemed to be permitted pursuant to clause (6) of the second paragraph of the "*—Limitation on Affiliate Transactions*" covenant, (iii) any encumbrance or restriction on the ability of the Issuer or any Restricted Subsidiary to take any action described in clauses (A), (B) and (C) of the first paragraph of the "*—Limitation on restrictions on distributions from Restricted Subsidiaries*" covenant that becomes effective during any Suspension Period shall be deemed to be permitted pursuant to clause (1) or (12) of the second paragraph of the "*—Limitation on restrictions on distributions from Restricted Subsidiaries*" covenant and (iv) all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Issuer's option, as having been Incurred pursuant to the first paragraph of the "*—Limitation on Indebtedness*" covenant or one of the clauses set forth in the second paragraph of such covenant (to the extent such Indebtedness would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to the Indebtedness Incurred prior to the Suspension Event and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred under the first two paragraphs of the "*—Limitation on Indebtedness*" covenant, such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the "*—Limitation on Indebtedness*" covenant. The Senior Secured Notes Trustee shall not be obliged to notify holders of a Suspension Event or Reversion Date.

### **Impairment of Security Interest**

The Issuer and any other Senior Secured Notes Guarantor shall not, and the Issuer shall not permit any Restricted Subsidiary to, take or omit to take any action that would have the result of materially impairing the Security Interest with respect to the Senior Secured Notes Collateral (it being understood that the Incurrence of Liens on the Senior Secured Notes Collateral permitted by the definition of "Permitted Collateral Liens" and the implementation of any Permitted Reorganization shall under no circumstances be deemed to materially impair the Security Interest with respect to the Senior Secured Notes Collateral); and the Issuer and any other Senior Secured Notes Guarantor shall not, and the Issuer shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Senior Secured Notes Trustee and the Holders and/or the other beneficiaries described in the Security Documents and the New Intercreditor Agreement or any Additional Intercreditor Agreement, any Lien in any of the Senior Secured Notes Collateral; *provided* that (a) the Issuer and the Issuer's Restricted Subsidiaries may Incur Permitted Collateral Liens or implement any Permitted Reorganization and (b) the Senior Secured Notes Collateral may be discharged, amended, extended, renewed, restated, supplemented, replaced or released in accordance with the Senior Secured Notes Indenture, the applicable Security Documents and the New Intercreditor Agreement or any Additional Intercreditor Agreement; *provided, however*, that, subject to the foregoing proviso, the Security Documents may be amended, extended, renewed, restated or otherwise modified or replaced to (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) provide for Permitted Collateral Liens or implement any Permitted Reorganization; (iii) amend, extend, renew, restate, supplement, release or otherwise modify or replace any Security Documents, for the purposes of undertaking a Permitted Reorganization; (iv) provide for the release of any Security Interest on any properties and assets constituting Senior Secured Notes Collateral from the Lien of the Security Documents; *provided* that such release is followed by the substantially concurrent retaking of a Lien of at least equivalent priority over the same properties and assets securing the Senior Secured Notes or any Senior Secured Notes Guarantee; (v) add to the Senior Secured Notes Collateral; (vi) comply with the terms of the New Intercreditor Agreement or any Additional Intercreditor Agreement; (vii) evidence the succession of another Person to the Issuer or a Senior Secured Notes Guarantor and the assumption by such successor of the obligations under the Senior Secured Notes Indenture, the Senior Secured Notes, the applicable Senior Secured Notes Guarantee and the Security Documents, in each case, in accordance with the "*—Merger and consolidation*" covenant; or (viii) evidence and provide for the acceptance of the appointment of a successor trustee or Security Agent; *provided* that, contemporaneously with any such action in clauses (ii) and (iii), the Issuer delivers to the Senior Secured Notes Trustee, (1) a solvency opinion, in form and substance reasonably satisfactory to the Senior Secured Notes Trustee from an

Independent Financial Advisor confirming the solvency of the person granting such Security Interest, after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification, replacement or release, (2) a certificate from the Board of Directors of the relevant Person which confirms the solvency of the person granting such Security Interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification, replacement or release, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Senior Secured Notes Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification, replacement or release, the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, modified, replaced or released are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, modification, replacement or release. In the event that the Issuer complies with the requirements of this covenant, the Senior Secured Notes Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

### **Additional Intercreditor Agreements**

The Senior Secured Notes Indenture will provide that, at the request of the Issuer, in connection with the Incurrence by the Issuer or any Restricted Subsidiary of any Indebtedness that is permitted to share the Senior Secured Notes Collateral pursuant to the definition of "Permitted Collateral Lien", the Issuer, the relevant Senior Secured Notes Guarantors, the Senior Secured Notes Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement, or a restatement, amendment or other modification of an existing intercreditor agreement (an "*Additional Intercreditor Agreement*"), on substantially the same terms as the New Intercreditor Agreement (or terms not materially less favorable to the Holders), including with respect to the subordination, payment blockage, limitation on enforcement and release of Senior Secured Notes Guarantees, priority and release of any Security Interest in respect of the Senior Secured Notes Collateral; *provided, further*, that such Additional Intercreditor Agreement will not impose any personal obligations on the Senior Secured Notes Trustee or the Security Agent or adversely affect the personal rights, duties, liabilities, powers, protections or immunities of the Senior Secured Notes Trustee and the Security Agent under the Senior Secured Notes Indenture or the New Intercreditor Agreement. For the avoidance of doubt, subject to the foregoing and the succeeding paragraph, any such Additional Intercreditor Agreement may provide for *pari passu* security interests in respect of any such Indebtedness (to the extent such Indebtedness is permitted to share the Senior Secured Notes Collateral pursuant to the definition of "Permitted Collateral Liens").

At the direction of the Issuer and without the consent of the Holders, the Senior Secured Notes Trustee and the Security Agent will from time to time enter into one or more amendments to the New Intercreditor Agreement or any Additional Intercreditor Agreement to: (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) add Senior Secured Notes Guarantors or other parties (such as representatives of new issuances of Indebtedness) thereto; (iii) further secure the Senior Secured Notes (including Additional Senior Secured Notes); (iv) make provision for equal and ratable grants of Liens on the Senior Secured Notes Collateral to secure Additional Senior Secured Notes or to implement any Permitted Collateral Liens; (v) to enable any Permitted Reorganization; (vi) subject to the preceding paragraph, to provide for additional Indebtedness (including with respect to any New Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Senior Secured Notes) to the extent permitted under the Senior Secured Notes Indenture) or any other obligations that are permitted by the terms of the Senior Secured Notes Indenture to be Incurred and secured by a Lien on the Senior Secured Notes Collateral on a senior, *pari passu* or junior basis with the Liens securing the Senior Secured Notes or the Senior Secured Notes Guarantees; (vii) add Restricted Subsidiaries to the New Intercreditor Agreement or an Additional Intercreditor Agreement; (viii) amend the New Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof; (ix) increase the amount of the Credit Facilities covered by any such agreement, the Incurrence of which is not prohibited by the Senior Secured Notes Indenture; or (x) make any other change thereto that does not adversely affect the rights of the Holders of the Senior Secured Notes in any material respect. The Issuer will not otherwise direct the Senior Secured Notes Trustee or the Security Agent to enter into any amendment to the New Intercreditor Agreement or, if applicable, any Additional Intercreditor Agreement, without the consent of the Holders of a majority in aggregate principal amount of the Senior Secured Notes then outstanding, except as otherwise permitted below under "*Amendments and waivers*", and the Issuer may only direct the Senior Secured Notes Trustee and the Security Agent to enter into any amendment

to the extent such amendment does not impose any personal obligations on the Senior Secured Notes Trustee or Security Agent or, in the opinion of the Senior Secured Notes Trustee or Security Agent, adversely affect their respective rights, duties, liabilities, powers, protections or immunities under the Senior Secured Notes Indenture or the New Intercreditor Agreement or any Additional Intercreditor Agreement.

Each Holder of a Senior Secured Note, by accepting such Senior Secured Note, will be deemed to have:

- (1) appointed and authorized the Senior Secured Notes Trustee and the Security Agent from time to time to give effect to such provisions;
- (2) authorized each of the Senior Secured Notes Trustee and the Security Agent from time to time to become a party to any additional intercreditor arrangements described above;
- (3) agreed to be bound by such provisions and the provisions of any additional intercreditor arrangements described above; and
- (4) irrevocably appointed the Senior Secured Notes Trustee and the Security Agent to act on its behalf from time to time to enter into and comply with such provisions and the provisions of any additional intercreditor arrangements described above, in each case, without the need for the consent of the Holders.

The Senior Secured Notes Indenture will also provide that, in relation to the New Intercreditor Agreement or an Additional Intercreditor Agreement, the Senior Secured Notes Trustee (and the Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Senior Secured Notes thereby; *provided, however*, that such transaction would comply with the "*—Limitation on Restricted Payments*" covenant.

#### **Additional Senior Secured Notes Guarantees**

No Restricted Subsidiary (other than a Senior Secured Notes Guarantor) shall Guarantee the payment of, assume or in any manner become obligated under or with respect to any Indebtedness of the Issuer or a Senior Secured Notes Guarantor unless such Restricted Subsidiary is or becomes an Additional Senior Secured Notes Guarantor on the date on which such other Guarantee or Indebtedness is Incurred (or as soon as reasonably practicable thereafter) and, if applicable, executes and delivers to the Senior Secured Notes Trustee a supplemental indenture substantially in the form attached to the Senior Secured Notes Indenture pursuant to which such Restricted Subsidiary will provide an Additional Senior Secured Notes Guarantee (which Additional Senior Secured Notes Guarantee shall be senior to or *pari passu* with such Restricted Subsidiary's Guarantee of such other Indebtedness).

Notwithstanding the foregoing paragraphs in this covenant,

- (1) an Additional Senior Secured Notes Guarantor's Additional Senior Secured Notes Guarantee shall not be required to the extent it could result in (A) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, transfer pricing rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (B) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); (C) any material cost, expense, liability or obligation (including with respect to any Taxes but excluding any obligation under the Senior Secured Notes Guarantee itself) that cannot be avoided by commercially reasonable measures available to the Issuer other than reasonable out of pocket expenses; or (D) any inconsistency with the Agreed Security Principles (but, in the case of (A), each of the Issuer and the Restricted Subsidiaries will use their commercially reasonable efforts to overcome the relevant legal limitation and will procure that the relevant Restricted Subsidiary undertakes all whitewash or similar procedures which are legally available to eliminate the relevant limit); and
- (2) for so long as it is not permissible under applicable law or regulation for a Restricted Subsidiary to become an Additional Senior Secured Notes Guarantor, such Restricted Subsidiary need not become an Additional Senior Secured Notes Guarantor (but, in such a case, each of the Issuer and the Restricted Subsidiaries will use their commercially reasonable efforts to overcome the

relevant legal prohibition precluding the giving of the Guarantee and will procure that the relevant Restricted Subsidiary undertakes all whitewash or similar procedures which are legally available to eliminate the relevant legal prohibition, and shall give such Guarantee at such time (and to the extent) that it thereafter becomes permissible).

The first paragraph of this covenant shall not apply to: (1) the granting by such Restricted Subsidiary of a Permitted Lien under circumstances which do not otherwise constitute the Guarantee of Indebtedness of the Issuer; (2) Guarantees by any Restricted Subsidiary of Indebtedness that refinances Indebtedness which benefited from a Guarantee by any Restricted Subsidiary Incurred in compliance with this covenant immediately prior to such refinancing; (3) Guarantees by any Restricted Subsidiary that existed at the time such Person became a Restricted Subsidiary if the Guarantee was not Incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary and the terms of such Guarantee prohibit the relevant Restricted Subsidiary from becoming an Additional Senior Secured Notes Guarantor; (4) Guarantees by any Restricted Subsidiary of Indebtedness Incurred under the New Revolving Credit Facility which are in effect on the Issue Date; (5) Guarantees given by any Restricted Subsidiary to a bank or trust company incorporated in any member state of the European Union as of the date of the Senior Secured Notes Indenture or any commercial banking institution that is a member of the U.S. Federal Reserve System (or any branch, Subsidiary or Affiliate thereof), in each case having combined capital and surplus and undivided profits of not less than €500 million, whose debt has a rating, at the time such Guarantee was given, of at least A or the equivalent thereof by S&P and at least A2 or the equivalent thereof by Moody's, in connection with the operation of cash management programs established for the Issuer's benefit or that of any Restricted Subsidiary and (6) the Senior Subordinated Notes Guarantees, including in respect of Additional Senior Subordinated Notes, which are in effect on the Issue Date.

Each such Guarantee will be limited as necessary to recognize certain defenses generally available to the Senior Secured Notes Guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Each Senior Secured Notes Guarantee shall be released in accordance with the provisions of the Senior Secured Notes Indenture and the New Intercreditor Agreement described under "*Senior Secured Notes Guarantees*" and "*Description of Certain Other Indebtedness and Other Arrangements—New Intercreditor Agreement*".

#### **LIMITATION ON ACTIONS WITH RESPECT TO THE 3AB OPTIQUE DÉVELOPPEMENT PROCEEDS LOAN**

- (1) The Issuer shall not sell, assign or otherwise transfer or forgive or waive any principal amount of the 3AB Optique Développement Proceeds Loan (other than to secure the Senior Secured Notes, any Senior Secured Notes Guarantee or the Senior Secured Notes Indenture or to grant Permitted Collateral Liens);
- (2) Neither the Issuer nor 3AB Optique Développement shall (i) amend the 3AB Optique Développement Proceeds Loan in a manner adverse in any material respect to the Holders (as determined in good faith by the Issuer), other than any amendment to the interest terms including the interest rates payable thereunder or (ii) shorten the maturity of the 3AB Optique Développement Proceeds Loan to a date prior to the Stated Maturity of the Senior Secured Notes unless the maturity of the corresponding Senior Secured Notes is also similarly shortened; provided that any amendment to the 3AB Optique Développement Proceeds Loan shall be permitted from time to time to align the redemption provisions, maturity, covenants or any other terms thereof to the corresponding terms of the Senior Secured Notes initially issued on the Issue Date (as may be amended, supplemented or otherwise modified from time to time); and
- (3) The Issuer shall not receive or accept any repayment or prepayment of principal in respect of the 3AB Optique Développement Proceeds Loan prior to its maturity or convert the 3AB Optique Développement Proceeds Loan into equity of 3AB Optique Développement or otherwise reduce the outstanding principal amount thereof except to pay interest, premium or Additional Amounts with respect to the Senior Secured Notes or the Senior Subordinated Notes or to facilitate or accommodate or reflect a repayment, redemption or repurchase of outstanding Senior Secured Notes or Senior Subordinated Notes; provided that the amount of any such repayment, prepayment, conversion or reduction of principal amount of the 3AB Optique Développement



Proceeds Loan shall be no greater than the interest, premium, Additional Amounts or principal amount of any corresponding Senior Secured Notes or Senior Subordinated Notes being paid, repaid, redeemed or prepaid.

Notwithstanding the foregoing, the 3AB Optique Développement Proceeds Loan may be canceled, forgiven or otherwise repaid, released or discharged upon:

(a) a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of 3AB Optique Développement (whether by direct sale or sale of a holding company), if the sale or other disposition does not violate the Senior Secured Notes Indenture and 3AB Optique Développement ceases to be a Restricted Subsidiary as a result of the sale or other disposition;

(b) the sale or disposition of all or substantially all the assets of 3AB Optique Développement (other than to the Issuer or any of its Restricted Subsidiaries), if the sale or other disposition does not violate the Senior Secured Notes Indenture;

(c) *[Reserved]*;

(d) defeasance or discharge of the Senior Secured Notes, as provided in “—*Defeasance*” and “—*Satisfaction and discharge*”;

(e) in accordance with the provisions of the New Intercreditor Agreement or any Additional Intercreditor Agreement;

(f) as described under “—*Amendments and waivers*”;

(g) as a result of a transaction permitted by “—*Merger and consolidation*”; and

(h) to the extent such cancellation, forgiveness, repayment, release or discharge, whether by capitalization or otherwise, is necessary to pay any applicable Taxes or to comply with applicable tax regulations regarding the deductibility of interest expense (as determined in good faith by the Board of Directors or a member of senior management of the Issuer).

The Senior Secured Notes Trustee and the Security Agent shall take all necessary actions reasonably requested by the Issuer, including the granting of releases or waivers under the New Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any repayment or release of the 3AB Optique Développement Proceeds Loan in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Senior Secured Notes Trustee and the Security Agent without the consent (except to the extent required under clause (f) above) of or liability to the Holders or any other action or consent on the part of the Senior Secured Notes Trustee or the Security Agent.

#### **PAYMENTS FOR CONSENT**

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Senior Secured Notes for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Senior Secured Notes Indenture or the Senior Secured Notes unless such consideration is offered to be paid and is paid to all Holders of the Senior Secured Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Issuer and its Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Senior Secured Notes Indenture or the Senior Secured Notes, to exclude holders of Senior Secured Notes in any jurisdiction where (a) the solicitation of such consent, waiver or amendment, including in connection with an offer to purchase for cash, or (b) the payment of the consideration therefor would require the Issuer or any of its Restricted Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states), which the Issuer in its sole discretion determines (acting in good faith) (x) 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 (y) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

## EVENTS OF DEFAULT

Each of the following is an "*Event of Default*" under the Senior Secured Notes Indenture:

- (1) default in any payment of interest on any Senior Secured Note issued under the Senior Secured Notes Indenture when due and payable, continued for 30 days;
- (2) default in the payment of the principal amount of or premium, if any, on any Senior Secured Note issued under the Senior Secured Notes Indenture when due at its stated maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;
- (3) failure by the Senior Secured Notes Guarantors, the Issuer or any of its Restricted Subsidiaries to comply for 30 days after notice by the Senior Secured Notes Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Senior Secured Notes with any of its obligations under "*Change of Control*" above or under the covenants described under "*Certain covenants*" above (in each case, other than a failure to purchase Senior Secured Notes which will constitute an Event of Default under clause (2) above);
- (4) failure by the Issuer or any of its Restricted Subsidiaries to comply for 60 days after notice by the Senior Secured Notes Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Senior Secured Notes with its other agreements contained in the Senior Secured Notes Indenture, the New Intercreditor Agreement, any Additional Intercreditor Agreement and Security Documents;
- (5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Issuer or any of its Restricted Subsidiaries) other than Indebtedness owed to the Issuer or a Restricted Subsidiary whether such Indebtedness or Senior Secured Notes Guarantee now exists, or is created after the Issue Date, which default:
  - (a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("*payment default*"); or
  - (b) results in the acceleration of such Indebtedness prior to its maturity (the "*cross acceleration provision*"),  
 and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €20 million or more;
- (6) certain events of bankruptcy, insolvency or court protection of the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements of the Issuer), would constitute a Significant Subsidiary (the "*bankruptcy provisions*");
- (7) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements of the Issuer), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €20 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the "*judgment default provision*");
- (8) any Security Interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the New Intercreditor Agreement, any Additional Intercreditor Agreement and the Senior Secured Notes Indenture) with respect to Senior Secured Notes Collateral having a fair market value in excess of €30 million for any reason other than the satisfaction in full of all obligations under the Senior Secured Notes Indenture or the release of any such Security Interest in accordance with the

terms of the Senior Secured Notes Indenture, the New Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents or any such Security Interest created thereunder shall be declared invalid or unenforceable or any grantor of a Lien over the Senior Secured Notes Collateral shall assert in writing that any such Security Interest is invalid or unenforceable and any such Default continues for 10 days (the "*security default provisions*"); and

- (9) any Senior Secured Notes Guarantee of a Significant Subsidiary (or a group of Restricted Subsidiaries that are Senior Secured Notes Guarantors that, taken together (as of the latest audited consolidated financial statements of the Issuer) would constitute a Significant Subsidiary) ceases to be in full force and effect (other than in accordance with the terms of such Senior Secured Notes Guarantee or the Senior Secured Notes Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Senior Secured Notes Guarantor denies or disaffirms in writing its obligations under its Senior Secured Notes Guarantee and any such Default continues for 10 days (the "*guarantee provisions*").

However, a default under clauses (3), (4), (5) or (7) of this paragraph will not constitute an Event of Default until the Senior Secured Notes Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Senior Secured Notes under the Senior Secured Notes Indenture notify the Issuer of the default and, with respect to clauses (3), (4), (5) and (7) the Issuer does not cure such default within the time specified in clauses (3), (4), (5) or (7), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (6) above) occurs and is continuing, the Senior Secured Notes Trustee by notice to the Issuer or the Holders of at least 25% in aggregate principal amount of the outstanding Senior Secured Notes under the Senior Secured Notes Indenture by written notice to the Issuer and the Senior Secured Notes Trustee, may, and the Senior Secured Notes Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Senior Secured Notes under the Senior Secured Notes Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. In the event of a declaration of acceleration of the Senior Secured Notes because an Event of Default described in clause (5) under "*—Events of Default*" has occurred and is continuing, the declaration of acceleration of the Senior Secured Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (5) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Senior Secured Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Senior Secured Notes that became due solely because of the acceleration of the Senior Secured Notes, have been cured or waived.

If an Event of Default described in clause (6) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Senior Secured Notes will become and be immediately due and payable without any declaration or other act on the part of the Senior Secured Notes Trustee or any Holders.

Holders of the Senior Secured Notes may not enforce the Senior Secured Notes Indenture or the Senior Secured Notes except as provided in the Senior Secured Notes Indenture and may not enforce the Security Documents except as provided in such Security Documents and the New Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in aggregate principal amount of the outstanding Senior Secured Notes under the Senior Secured Notes Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any, which may only be waived with the consent of Holders of not less than 90% of the aggregate principal amount of the outstanding Senior Secured Notes) and rescind any such acceleration with respect to such Senior Secured Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Senior Secured Notes Indenture relating to the duties of the Senior Secured Notes Trustee, if an Event of Default occurs and is continuing, the Senior Secured Notes Trustee will be under no obligation to exercise any of the rights or powers under the Senior Secured Notes Indenture at the request or direction of any of the Holders unless such Holders have offered to

the Senior Secured Notes Trustee, and the Senior Secured Notes Trustee has received, indemnity and/or security (including by way of pre-funding) satisfactory to the Senior Secured Notes Trustee in its sole discretion against any loss, liability or expense. Except to enforce the right to receive payment of principal, interest or premium, if any, when due, no Holder may pursue any remedy with respect to the Senior Secured Notes Indenture or the Senior Secured Notes unless:

- (1) such Holder has previously given the Senior Secured Notes Trustee notice that an Event of Default is continuing;
- (2) Holders of at least 25% in aggregate principal amount of the outstanding Senior Secured Notes have requested the Senior Secured Notes Trustee to pursue the remedy;
- (3) such Holders have offered in writing the Senior Secured Notes Trustee, and the Senior Secured Notes Trustee has received, security and/or indemnity (including by way of pre-funding) reasonably satisfactory to it against any loss, liability or expense;
- (4) the Senior Secured Notes Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security and/or indemnity; and
- (5) the Holders of a majority in aggregate principal amount of the outstanding Senior Secured Notes have not given the Senior Secured Notes Trustee a direction that, in the opinion of the Senior Secured Notes Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in aggregate principal amount of the outstanding Senior Secured Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Senior Secured Notes Trustee or of exercising any trust or power conferred on the Senior Secured Notes Trustee.

The Senior Secured Notes Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Senior Secured Notes Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Senior Secured Notes Trustee, however, may refuse to follow any direction that conflicts with law or the Senior Secured Notes Indenture or that the Senior Secured Notes Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Senior Secured Notes Trustee in personal liability. Prior to taking any action under the Senior Secured Notes Indenture, the Senior Secured Notes Trustee will be entitled to receive indemnification and/or security satisfactory (including by way of pre-funding) to it in its sole discretion against all losses, liabilities and expenses caused by taking or not taking such action. The Senior Secured Notes Indenture will provide that if a Default occurs and is continuing and a responsible officer of the Senior Secured Notes Trustee is informed in writing of such occurrence by the Issuer, the Senior Secured Notes Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Senior Secured Notes Trustee may withhold notice if and so long as a committee of trust officers of the Senior Secured Notes Trustee in good faith determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Senior Secured Notes Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuer is required to deliver to the Senior Secured Notes Trustee, within 30 days after 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.

The Senior Secured Notes provide for the Senior Secured Notes Trustee to take action on behalf of the Holders in certain circumstances, but only if Holders have offered to the Senior Secured Notes Trustee, and the Senior Secured Notes Trustee has received, indemnity and/or security (including by way of pre-funding) satisfactory to it in its sole discretion. It may not be possible for the Senior Secured Notes Trustee to take certain actions in relation to the Senior Secured Notes and, accordingly, in such circumstances the Senior Secured Notes Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

#### **AMENDMENTS AND WAIVERS**

Subject to certain exceptions, the Senior Secured Notes Documents may be amended, supplemented or otherwise modified with the consent of the Holders of a majority in aggregate principal amount of the Senior Secured Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of a

majority in aggregate principal amount of the Senior Secured Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes). However, without the consent of Holders holding not less than 90% (or in the case of clause (8) below, 80%) of the then outstanding principal amount of Senior Secured Notes affected, (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes), an amendment or waiver may not, with respect to any Senior Secured Notes held by a non-consenting Holder:

- (1) reduce the principal amount of Senior Secured Notes whose Holders must consent to an amendment, waiver or modification;
- (2) reduce the stated rate of or extend the stated time for payment of interest on any Note;
- (3) reduce the principal of or extend the Stated Maturity of any Note;
- (4) reduce the premium payable upon the redemption of any Senior Secured Note or change the time at which any Senior Secured Note may be redeemed, in each case as described above under "*—Optional Redemption*" or "*—Redemption for taxation reasons*";
- (5) make any Senior Secured Note payable in money other than that stated in the Senior Secured Note;
- (6) impair the right of any Holder to receive payment of principal of and interest or Additional Amounts, if any, on such Holder's Senior Secured 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 Senior Secured Notes;
- (7) make any change in the provision of the Senior Secured Notes Indenture described under "*—Withholding taxes*" that adversely affects the right of any Holder of such Senior Secured Notes in any material respect or amends the terms of such Senior Secured Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Payor agrees to pay Additional Amounts, if any, in respect thereof;
- (8) release all or substantially all the Security Interest granted for the benefit of the Holders in the Senior Secured Notes Collateral other than in accordance with the terms of the Security Documents, the New Intercreditor Agreement, any applicable Additional Intercreditor Agreement and the Senior Secured Notes Indenture;
- (9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on the Senior Secured Notes (except pursuant to a rescission of acceleration of the Senior Secured Notes by the Holders of at least a majority in aggregate principal amount of such Senior Secured Notes and a waiver of the payment default that resulted from such acceleration);
- (10) release any Senior Secured Notes Guarantor from any of its obligations (or modify such obligations in any manner adverse to the Holders) under any Senior Secured Notes Guarantee or the Senior Secured Notes Indenture, as applicable, except in accordance with the terms of the Senior Secured Notes Indenture, the New Intercreditor Agreement and any Additional Intercreditor Agreement; or
- (11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Senior Secured Notes Trustee and the Security Agent, as applicable, may amend or supplement any Senior Secured Notes Documents to:

- (1) cure any ambiguity, omission, defect, error or inconsistency;
- (2) provide for the assumption by a successor Person of the obligations of the Issuer or any Senior Secured Notes Guarantor under any Senior Secured Notes Document;
- (3) add to the covenants or provide for a Senior Secured Notes Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;
- (4) make any change that would provide additional rights or benefits to the Senior Secured Notes Trustee or the Holders or does not adversely affect the rights or benefits to the Senior Secured

Notes Trustee or any of the Holders in any material respect under the Senior Secured Notes Documents;

- (5) make such provisions as necessary (as determined in good faith by the Issuer) for the issuance of Additional Senior Secured Notes;
- (6) to provide for any Restricted Subsidiary to provide a Senior Secured Notes Guarantee in accordance with the "*Certain covenants—Limitation on Indebtedness*" covenant, to add Senior Secured Notes Guarantees with respect to the Senior Secured Notes, to add security to or for the benefit of the Senior Secured Notes, or to confirm and evidence the release, termination, discharge or retaking of any Senior Secured Notes Guarantee or Lien (including the Senior Secured Notes Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Senior Secured Notes when such release, termination, discharge or retaking or amendment is permitted under the Senior Secured Notes Indenture, the Security Documents, the New Intercreditor Agreement and any Additional Intercreditor Agreement;
- (7) to conform the text of the Senior Secured Notes Indenture, the Senior Secured Notes Guarantees, the Security Documents or the Senior Secured Notes to any provision of this Description of the Senior Secured Notes to the extent that such provision in this Description of the Senior Secured Notes was intended to be a verbatim recitation of a provision of the Senior Secured Notes Indenture, a Senior Secured Notes Guarantee, the Security Documents or the Senior Secured Notes;
- (8) to evidence and provide for the acceptance and appointment under the Senior Secured Notes Indenture, the New 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 Senior Secured Notes Trustee or Security Agent to any Senior Secured Notes Document; or
- (9) as provided in "*—Additional Intercreditor Agreements*" and "*—Impairment of Security Interest*".

In formulating its decision on such matters, the Senior Secured Notes Trustee shall be entitled to require and rely absolutely on such evidence as it deems necessary, including Officer's Certificates and Opinions of Counsel, which shall be conclusive.

The consent of the Holders is not necessary under the Senior Secured Notes Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Senior Secured Notes Indenture by any Holder of Senior Secured Notes given in connection with a tender of such Holder's Senior Secured Notes will not be rendered invalid by such tender.

For so long as the Senior Secured Notes are listed on the Global Exchange Market of Euronext Dublin and the rules of such exchange so require, the Issuer will inform Euronext Dublin of any of the foregoing amendments, supplements and waivers and publish a notice of any of the foregoing amendments, supplements and waivers on the website of Euronext Dublin (<https://www.euronext.com/en/markets/dublin>), to the extent and in the manner permitted by the rules of Euronext Dublin.

#### **ACTS BY HOLDERS**

In determining whether the Holders of the required principal amount of the Senior Secured Notes have concurred in any direction, waiver or consent, the Senior Secured Notes owned by the Issuer or by any Person directly or indirectly controlled, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding.

#### **DEFEASANCE**

The Issuer at any time may terminate all of its and each Senior Secured Notes Guarantor's obligations under the Senior Secured Notes and the Senior Secured Notes Indenture ("*legal defeasance*") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Senior Secured Notes Trustee and the Security Agent and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Senior Secured Notes, registration of Senior Secured Notes, mutilated, destroyed, lost or stolen Senior Secured Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer

exercises its legal defeasance option, the Security Documents will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and each Restricted Subsidiary's obligations under the covenants described under "*Certain covenants*" (other than clauses (1) and (2) of "*Certain covenants—Merger and consolidation*") and "*Change of Control*" and the default provisions relating to such covenants described under "*Events of Default*" above, the operation of the cross default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to the Issuer and Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "*Events of Default*" above ("*covenant defeasance*").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Senior Secured Notes may not be accelerated because of an Event of Default with respect to such Senior Secured Notes. If the Issuer exercises its covenant defeasance option with respect to the Senior Secured Notes, payment of the Senior Secured Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the "*Merger and consolidation—The Issuer*" covenant), (4), (5), (6), (7), (8) and (9) under "*Events of Default*" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Senior Secured Notes Trustee cash in euro or euro-denominated European Government Obligations or a combination thereof for the payment of principal, premium, if any, and interest on the Senior Secured Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Senior Secured Notes Trustee of:

- (1) an Opinion of Counsel in the United States to the effect that Holders and beneficial owners of the Senior Secured Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law);
- (2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;
- (3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;
- (4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and
- (5) all other documents or other information that the Senior Secured Notes Trustee may reasonably require in connection with either defeasance option.

#### **SATISFACTION AND DISCHARGE**

The Senior Secured Notes Indenture, and the rights of the Senior Secured Notes Trustee and the Holders under the New Intercreditor Agreement, 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 Senior Secured Notes, as expressly provided for in the Senior Secured Notes Indenture) as to all outstanding Senior Secured Notes when (1) either (a) all the Senior Secured Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Senior Secured Notes, and certain Senior Secured Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Senior Secured Notes Trustee for cancellation; or (b) all Senior Secured Notes not previously delivered to the Senior Secured Notes Trustee 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 Senior Secured Notes Trustee for the giving of notice of redemption by the Senior Secured Notes Trustee in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Senior

Secured Notes Trustee, cash in euro or euro-denominated European Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire indebtedness on the Senior Secured Notes not previously delivered to the Senior Secured Notes Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Senior Secured 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 (i) under the Senior Secured Notes Indenture and (ii) to the Senior Secured Notes Trustee under the New Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents; and (4) the Issuer has delivered to the Senior Secured Notes Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "*Satisfaction and discharge*" section of the Senior Secured Notes Indenture relating to the satisfaction and discharge of the Senior Secured Notes Indenture have been complied with; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

#### **NO PERSONAL LIABILITY OF DIRECTORS, OFFICERS, EMPLOYEES AND SHAREHOLDERS**

No director, manager, officer, employee, incorporator or shareholder of the Issuer or any of its Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or any Restricted Subsidiary under the Senior Secured Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Senior Secured Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior Secured Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws, and it is the view of the SEC that such a waiver is against public policy.

#### **LISTING AND GENERAL INFORMATION**

Application will be made to list the Senior Secured Notes on the Official List of Euronext Dublin and to admit the Senior Secured Notes to trading on the Global Exchange Market. The Issuer may also choose to list on another recognized stock exchange. There can be no assurance that the application to list the Senior Secured Notes on the Global Exchange Market of Euronext Dublin and to admit the Senior Secured Notes to trading on the Global Exchange Market will be approved, and settlement of the Senior Secured Notes is not conditioned on obtaining this listing. If and so long as the Senior Secured Notes are listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market, the Issuer will maintain a listing, paying and transfer agent in Ireland with respect to the Senior Secured Notes. See "*Certain covenants—Maintenance of Listing*".

So long as the Senior Secured Notes are listed on the Global Exchange Market of Euronext Dublin and the rules of Euronext Dublin shall so require, copies, current and future, of all of the Issuer's annual audited consolidated and unconsolidated financial statements, the Issuer's unaudited consolidated interim quarterly financial statements and this Offering Memorandum may be obtained, free of charge, during normal business hours at the registered office of the Issuer.

#### **CONCERNING THE SENIOR SECURED NOTES TRUSTEE AND CERTAIN AGENTS**

U.S. Bank Trustees Limited is to be appointed as Senior Secured Notes Trustee under the Senior Secured Notes Indenture. The Senior Secured Notes Indenture will provide that, except during the continuance of an Event of Default, of which a responsible officer of the Senior Secured Notes Trustee has been informed in writing, the Senior Secured Notes Trustee will perform only such duties as are set forth specifically in the Senior Secured Notes Indenture. During the existence of an Event of Default, of which a responsible officer of the Senior Secured Notes Trustee has been informed in writing, the Senior Secured Notes Trustee will exercise such of the rights and powers vested in it under the Senior Secured Notes Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Senior Secured Notes Trustee to take or refrain from taking any action enumerated in the Senior Secured Notes Indenture will not be construed as an obligation or duty. The Holders of a majority in aggregate principal amount of the then outstanding Senior Secured Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Senior Secured Notes Trustee on behalf of the Holders, subject to certain exceptions.

The Issuer shall deliver written notice to the Senior Secured Notes Trustee with thirty (30) days of becoming aware of the occurrence of a Default or Event of Default. The Senior Secured Notes Indenture will impose certain limitations on the rights of the Senior Secured Notes Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property



received in respect of any such claim as security or otherwise. The Senior Secured Notes Trustee will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

Any removal or resignation of the Senior Secured Notes Trustee shall not become effective until the acceptance of appointment by the successor trustee. The Senior Secured Notes Indenture will contain provisions for the indemnification and/or security (including by way of pre-funding) of the Senior Secured Notes Trustee by the Issuer and the Senior Secured Notes Guarantors for any loss, liability, taxes or expenses incurred without gross negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Senior Secured Notes Indenture.

## **NOTICES**

All notices to Holders will be validly given if mailed to them at their respective addresses in the register of the Holders, if any, maintained by the Registrar. In addition, for so long as any of the Senior Secured Notes are listed on Euronext Dublin and the rules of such Stock Exchange shall so require, notices with respect to the Senior Secured Notes will be published in a newspaper having general circulation in Ireland (which is expected to be *The Irish Times*) or, to the extent and in the manner permitted by such rules, posted on the official website of Euronext Dublin (<https://www.euronext.com/en/markets/dublin>). In addition, for so long as any Senior Secured Notes are represented by Global Notes, all notices to Holders will be delivered to Euroclear and Clearstream, each of which will give such notices to the holders of Book-Entry Interests. Such notices may also be published on the website of Euronext Dublin (<https://www.euronext.com/en/markets/dublin>), to the extent and in the manner permitted by the rules of Euronext Dublin. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given, on such date, as the Senior Secured Notes Trustee may approve.

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.

## **PRESCRIPTION**

Claims against the Issuer or any Senior Secured Notes Guarantor for the payment of principal, or premium, if any, on the Senior Secured Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Senior Secured Notes Guarantor for the payment of interest on the Senior Secured Notes will be prescribed five years after the applicable due date for payment of interest.

## **CURRENCY INDEMNITY AND CALCULATION OF EURO-DENOMINATED RESTRICTIONS**

Euro is the sole currency of account and payment for all sums payable by the Issuer and the Senior Secured Notes Guarantors under or in connection with the Senior Secured Notes and the Senior Secured Notes Guarantees, as the case may be, including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Senior Secured Notes Guarantor or otherwise by any Holder or by the Senior Secured Notes Trustee, in respect of any sum expressed to be due to it from the Issuer or a Senior Secured Notes Guarantor will only constitute a discharge to the Issuer or such Senior Secured Notes Guarantor, as applicable, to the extent of the euro amount, which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Senior Secured Notes Trustee under any Senior Secured Note, the Issuer and the Senior Secured Notes Guarantors will indemnify them against any loss sustained by such recipient or the Senior Secured Notes Trustee as a result. In any event, the Issuer and the Senior Secured Notes Guarantors will indemnify the recipient or the Senior Secured Notes Trustee on a joint or several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Senior Secured Note or the Senior

Secured Notes Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Senior Secured Notes Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Senior Secured Note or the Senior Secured Notes Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, any Senior Secured Notes Guarantee or to the Senior Secured Notes Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a non- euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is Incurred or made, as the case may be.

#### **ENFORCEABILITY OF JUDGMENTS**

Since substantially all the assets of the Issuer and the Senior Secured Notes Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or any Senior Secured Notes Guarantor, 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 Senior Secured Notes or the Senior Secured Notes Guarantees, may not be collectable within the United States.

#### **CONSENT TO JURISDICTION AND SERVICE**

In relation to any legal action or proceedings arising out of or in connection with the Senior Secured Notes Indenture, the Senior Secured Notes and the Senior Secured Notes Guarantees, the Issuer and each Senior Secured Notes Guarantor will, in the Senior Secured Notes Indenture, appoint an agent for service of process and irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

#### **GOVERNING LAW**

The Senior Secured Notes Indenture, the Senior Secured Notes and the Senior Secured Notes Guarantees, 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 New Intercreditor Agreement and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of England and Wales.

#### **CERTAIN DEFINITIONS**

Set forth below are certain defined terms used in the Senior Secured Notes Indenture. Reference is made to the Senior Secured Notes Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

*"3AB Optique Développement Proceeds Loan"* means the proceeds loan from the Issuer to 3AB Optique Développement in a maximum principal amount of €347.2 million.

*"Acquired Indebtedness"* means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary of the Issuer or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

*"Additional Assets"* means:

- (1) any property or assets (other than Indebtedness and Capital Stock) used or to be used by the Issuer, a Restricted Subsidiary or otherwise useful in a Similar Business (it being understood that capital expenditures on property or assets already used in a Similar Business or to replace any property or assets that are the subject of such Asset Disposition shall be deemed an investment in Additional Assets);

- (2) the Capital Stock of a Person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Issuer or a Restricted Subsidiary of the Issuer; or
- (3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary of the Issuer.

"*Affiliate*" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreed Security Principles*" means the Agreed Security Principles attached to the Senior Secured Notes Indenture, as interpreted and applied in good faith by the Issuer.

"*Alain Afflelou Franchiseur Proceeds Loan*" means the proceeds loan from 3AB Optique Développement to Alain Afflelou Franchiseur in a maximum principal amount of €30.0 million.

"*Applicable Premium*" means, with respect to any Senior Secured Note on any redemption date, the greater of:

- (1) 1% of the principal amount of such Senior Secured Note; and
- (2) the excess (to the extent positive) of:
  - (a) the present value at such redemption date of (i) the redemption price of such Senior Secured Note at , 2023 (such redemption price (expressed in percentage of principal amount) being set forth in the table appearing under the caption "*—Optional Redemption—Optional Redemption of Senior Secured Notes*") (excluding accrued but unpaid interest to the redemption date), *plus* (ii) all required interest payments due on such Senior Secured Note to and including , 2023 (excluding accrued but unpaid interest to the redemption date), computed upon the redemption date using a discount rate equal to the Bund Rate as of such redemption date *plus* 50 basis points; over
  - (b) the outstanding principal amount of such Senior Secured Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the Applicable Premium shall not be an obligation or duty of the Senior Secured Notes Trustee or the Paying Agent, nor shall the Senior Secured Notes Trustee or the Paying Agent have any liability related thereto.

"*Asset Disposition*" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

- (1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;
- (2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (3) a disposition of inventory, trading stock or other assets in the ordinary course of business;
- (4) a disposition of obsolete, surplus or worn out equipment or other assets or equipment or other assets that are no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries;
- (5) transactions permitted under "*—Certain covenants—Merger and consolidation*", any Permitted Reorganization or a transaction that constitutes a Change of Control;

- (6) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Issuer;
- (7) any Restricted Payment that is permitted to be made, and is made, under the "*Limitation on Restricted Payments*" covenant and the making of any Permitted Payment or Permitted Investment;
- (8) the granting of Liens not prohibited by the "*Limitation on Liens*" covenant;
- (9) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;
- (10) the licensing or sublicensing of intellectual property or other general intangibles and licenses, sublicenses, leases or subleases of other property, in each case, in the ordinary course of business;
- (11) foreclosure, condemnation or any similar action with respect to any property or other assets;
- (12) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;
- (13) sales or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business;
- (14) any disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;
- (15) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;
- (16) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;
- (17) any disposition with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Senior Secured Notes Indenture;
- (18) any sale or disposition of stores not to exceed, in the aggregate, €10 million in each fiscal year;
- (19) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person; *provided, however*, that the Board of Directors of the Issuer shall certify that in its opinion, the outsourcing transaction will be economically beneficial to the Issuer and its Restricted Subsidiaries (considered as a whole);
- (20) a disposition that is made in connection with the establishment of a joint venture or sales, transfers and other dispositions of Investments in joint ventures to the extent required by or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture agreements and similar binding agreements; provided that any cash or Cash Equivalents received in such sale, transfer or other disposition is applied in accordance with the "*Limitation on sales of assets and subsidiary stock*" covenant;
- (21) a disposition that is made in connection with the factoring or discounting of vendor loans to franchisees in an aggregate principal amount not to exceed €20 million; and
- (22) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by an Officer or the Board of Directors of the Issuer) of less than the greater of (x) €5 million and (y) 4.8% of Consolidated EBITDA.

"Associate" means (i) any Person engaged in a Similar Business of which the Issuer or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting

Stock and (ii) any joint venture engaged in a Similar Business entered into by the Issuer or any Restricted Subsidiary of the Issuer.

"*Board of Directors*" means (1) with respect to the Issuer or any corporation, the board of directors or managers or the supervisory board, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Senior Secured Notes Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

"*Bund Rate*" means, as of any redemption date, the rate per annum (subject to a 0% floor) equal to the equivalent yield to maturity as of such redemption date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

- (a) "*Comparable German Bund Issue*" means the German *Bundesanleihe* security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to \_\_\_\_\_, 2023 and that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Senior Secured Notes and of a maturity most nearly equal to \_\_\_\_\_, 2023, provided, however, that, if the period from such redemption date to \_\_\_\_\_, 2023, is less than one year, a fixed maturity of one year shall be used;
- (b) "*Comparable German Bund Price*" means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;
- (c) "*Reference German Bund Dealer*" means any dealer of German *Bundesanleihe* securities appointed by the Issuer in good faith; and
- (d) "*Reference German Bund Dealer Quotations*" means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Issuer of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt am Main, Germany time on the third Business Day that is also a business day in Germany preceding the relevant date.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in Paris, France, Dublin, Ireland or London, United Kingdom are authorized or required by law to close.

"*Capital Stock*" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of, or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS, and the amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination is to be made in accordance with IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"*Cash Equivalents*" means:

- (1) securities issued or directly and fully Guaranteed or insured by a member state of the Pre-Expansion European Union, Switzerland, Canada, the United States of America, any State of the United States or the District of Columbia, in each case, any agency or instrumentality of thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;
- (2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender party to the New Revolving Credit Facility or by any bank or trust company (a) whose commercial paper is rated at least "A-1" or the equivalent thereof by S&P or at least "P-1" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €500 million;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;
- (4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;
- (5) readily marketable direct obligations issued by a member state of the Pre-Expansion European Union, Switzerland, Canada, the United States of America, any State of the United States or the District of Columbia or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;
- (6) Indebtedness or preferred stock issued by Persons with a rating of "BBB-" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;
- (7) bills of exchange issued in a member state of the Pre-Expansion European Union, Switzerland, Canada, the United States of America, any State of the United States or the District of Columbia, eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent); and
- (8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above.

"Change of Control" means:

- (1) the Issuer becomes aware of (by way of a report or any other filing pursuant to any regulatory filing, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer; *provided* that for the purposes of this clause any Voting Stock of which any Permitted Holder is the "beneficial owner" (as so defined) (other than deemed beneficial ownership derived from membership in a group) shall not be included in any Voting Stock of which any such person or group is the "beneficial owner" (as so defined), unless that person or group is not an affiliate of a Permitted Holder and has the sole voting power with respect to that Voting Stock; or
- (2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries

taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders.

"*Change of Control Period*" means, in relation to a Change of Control, the period commencing on the earlier of (i) date of the occurrence of the relevant Change of Control and (ii) date of the first public announcement of (x) the occurrence of the relevant Change of Control or (y) the intention to effect the relevant Change of Control, and ending on the date which is 90 days (inclusive) after such date (which period shall be extended so long as the rating of the Senior Secured Notes or the Issuer, as applicable, is under publicly announced consideration by at least one (1) Rating Agency).

"*Change of Control Negative Rating Event*" will be deemed to have occurred in respect of a Change of Control:

- (3) if the rating assigned to the Senior Secured Notes or the Issuer, as applicable, by at least one (1) Rating Agency (i) is, during the Change of Control Period, lower by at least one full rating notch (e.g. from Baa to Ba) compared to the rating assigned to the Senior Secured Notes or the Issuer, as applicable, by such Rating Agency on the Issue Date, and, after the first day of the Change of Control Period but before the expiry of the Change of Control Period, such Rating Agency has not assigned to the Senior Secured Notes or the Issuer, as applicable, a rating of at least the rating assigned to the Senior Secured Notes or the Issuer, as applicable, by such Rating Agency on the Issue Date or (ii) has been withdrawn; or
- (4) if the rating assigned to the Senior Secured Notes or the Issuer, as applicable, by at least one (1) Rating Agency (i) is reduced, during the Change of Control Period, by at least one full rating notch (e.g. from Baa to Ba) compared to the rating assigned to the Senior Secured Notes or the Issuer, as applicable, by such Rating Agency on the day immediately preceding the beginning of the Change of Control Period, and, after the date of such reduction but before the expiry of the Change of Control Period, such Rating Agency has not assigned to the Senior Secured Notes or the Issuer, as applicable, a rating of at least the rating assigned to the Senior Secured Notes or the Issuer, as applicable, by such Rating Agency on the day immediately preceding the beginning of the Change of Control Period or (ii) has been withdrawn.

If no Rating Agency announces an action with regard to its rating of the Senior Secured Notes or the Issuer, as applicable, after the start of the Change of Control Period, the Issuer shall request each Rating Agency to confirm its rating of the Senior Secured Notes or the Issuer, as applicable, before the end of the 90-day Change of Control Period.

"*Change of Control Triggering Event*" means the occurrence of both (a) a Change of Control and (b) a Change of Control Negative Rating Event, *provided* that a Change of Control Triggering Event shall not be deemed to have occurred if such Change of Control Triggering Event is also a Specified Change of Control Event.

"*Clearstream*" means Clearstream Banking S.A., a *société anonyme*, as currently in effect or any successor securities clearing agency thereof.

"*Code*" means the United States Internal Revenue Code of 1986, as amended.

"*Commodity Hedging Agreements*" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"*Consolidated EBITDA*" for any period means, without duplication, the Consolidated Net Income for such period, *plus* the following to the extent deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense and Receivables Fees;
- (2) Consolidated Income Taxes;
- (3) consolidated depreciation expense;
- (4) consolidated amortization and impairment expense;
- (5) any expenses, charges or other costs related to any Equity Offering, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business; *provided* that such payments are made at the time of such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), disposition, recapitalization

or the Incurrence of any Indebtedness permitted by the Senior Secured Notes Indenture (whether or not successful) (including any such fees, expenses or charges related to the Transactions (including any expenses in connection with related due diligence activities)), in each case, as determined in good faith by the Issuer;

- (6) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent not prohibited by the "*Limitation on Affiliate Transactions*" covenant;
- (7) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;
- (8) (a) any one-off charge in respect of the establishment of, or opening of, new distribution centers, stores or depots or in respect of brand or banner launch or re-launch costs and (b) any net loss realized upon the sale, abandonment or other disposition of any store, *less* any net gain realized upon any such sale, abandonment or other disposition;
- (9) other non-cash charges, write downs or items reducing Consolidated Net Income or other items classified by the Issuer as non-cash exceptional items *less* other non-cash items of income increasing Consolidated Net Income (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (15) of the definition of "Consolidated Net Income"); and
- (10) to the extent not already otherwise included herein, adjustments and add-backs similar to those made in calculating "Adjusted EBITDA" included in the Offering Memorandum.

When Consolidated EBITDA is being calculated for the purpose of any grower basket set forth in the Senior Secured Notes Indenture, (i) pro forma effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Net Leverage Ratio of the Issuer and (ii) Consolidated EBITDA shall be measured for the most recently ended four full fiscal quarters for which internal financial statements are available.

Notwithstanding anything to the contrary in the Senior Secured Notes Indenture, (a) from the Issue Date until the date on which internal financial statements are available for the quarter ending April 30, 2021, Consolidated EBITDA shall be calculated by adding the quarters ending April 30, 2019, July 31, 2019, October 31, 2020 and January 31, 2021 and (b) from the date on which internal financial statements are available for the quarter ending April 30, 2021 to the date on which internal financial statements are available for the quarter ending July 31, 2021, Consolidated EBITDA shall be calculated by adding the quarters ending July 31, 2019, October 31, 2020, January 31, 2021 and April 30, 2021, in each case consistent with the calculation of "Normalized EBITDA" as defined and calculated in the Offering Memorandum.

"*Consolidated Financial Interest Expense*" means, for any period (in each case, determined on the basis of IFRS), the sum of:

- (1) consolidated net interest income/expense of the Issuer related to Indebtedness (including (a) amortization of debt discount, (b) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers acceptances, (c) the interest component of Capitalized Lease Obligations, and (d) net payments, if any, pursuant to interest rate Hedging Obligations with respect to Indebtedness) but not including any pension liability interest cost, debt issuance cost and premium, commissions, discounts and other fees and charges owed or paid with respect to financings, or costs associated with Hedging Obligations (other than those described in (d));
- (2) dividends on other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a subsidiary of the Issuer; and
- (3) any interest on Indebtedness of another Person that is Guaranteed by a member of the Group or secured by a Lien on assets of a member of the Group or in respect of any Parent Debt to the extent paid by a member of the Group; *provided* that, for avoidance of doubt, such interest shall include, without double counting, all amounts paid pursuant to clause (17) of the definition of "Permitted Payments".



"*Consolidated Income Taxes*" means taxes or other payments, including deferred Taxes, based on income, profits or capital (including without limitation withholding Taxes, corporation Taxes, trade Taxes and franchise Taxes) of any member of the Group whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

"*Consolidated Interest Expense*" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Issuer, whether paid or accrued, *plus* or including (without duplication) any interest, costs and charges consisting of:

- (1) interest expense attributable to Capitalized Lease Obligations and the interest component of deferred payment obligations;
- (2) amortization of debt discount, amortization of debt issuance costs, fees, premium and expenses and the expensing of any financing fees;
- (3) non-cash interest expense;
- (4) the net payments (if any) of Interest Rate Agreements and Currency Agreements (excluding amortization of fees and discounts and unrealized gains and losses, costs associated with Hedging Obligations (including termination payments) and foreign currency losses and any Receivables Fees);
- (5) dividends on other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a subsidiary of the Issuer;
- (6) the consolidated interest expense that was capitalized during such period; and
- (7) any interest on Indebtedness of another Person that is Guaranteed by a member of the Group or secured by a Lien on assets of a member of the Group or in respect of any Parent Debt to the extent paid by a member of the Group; *provided* that, for avoidance of doubt, such interest shall include, without double counting, all amounts paid pursuant to clause (17) of the definition of "Permitted Payments".

"*Consolidated Net Leverage*" means the sum of the aggregate outstanding Indebtedness of the Group (excluding Hedging Obligations) *less* cash and Cash Equivalents of the Group (other than cash or Cash Equivalents received upon the Incurrence of Indebtedness by the Group and not immediately or subsequently applied or used for any purpose not prohibited by the Senior Secured Notes Indenture), as of the relevant date of calculation on a consolidated basis on the basis of IFRS.

"*Consolidated Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available; immediately preceding the date of determination; *provided, however*, that the *pro forma* calculation of the Consolidated Net Leverage Ratio shall not give effect to (i) any Indebtedness Incurred on the date of determination pursuant to the provisions described in the second paragraph under "*Certain covenants—Limitation on Indebtedness*" (other than Indebtedness Incurred pursuant to clause (5)(x) of such second paragraph) or (ii) the discharge on the date of determination of any Indebtedness to the extent that such discharge results from the proceeds of Indebtedness Incurred pursuant to the provisions described in the second paragraph under "*—Certain covenants—Limitation on Indebtedness*"; *provided, further, however*, that for the purposes of calculating Consolidated EBITDA for such period, if, as of such date of determination:

- (1) since the beginning of such period, a member of the Group has disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a "*Sale*") or if the transaction giving rise to the need to calculate the Consolidated Net Leverage Ratio is such a Sale, Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such sale constitutes "discontinued operations" in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period;

- (2) since the beginning of such period, a member of the Group (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business, or any group of assets constituting an operating unit of a business (any such Investment or acquisition, a "*Purchase*"), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto, including anticipated synergies and expenses and cost reductions calculated as if such Purchase occurred on the first day of such period;
- (3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into a member of the Group since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by a member of the Group since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto, including, with respect to any Purchase by such Person, anticipated synergies and expenses and cost reductions as if such Sale or Purchase occurred on the first day of such period; and
- (4) for the purposes of making the determination pursuant to the definition of "Specified Change of Control Event", Consolidated EBITDA for such period shall be calculated after giving *pro forma* effect to such event constituting a "Specified Change of Control Event", including any equity injection accruing simultaneously with such Specified Change of Control, anticipated synergies and expenses and cost savings as if such event had occurred on the first day of such period.

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense, Consolidated Net Income, Consolidated Senior Secured Net Leverage Ratio and Fixed Charge Coverage Ratio, (a) calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer (including in respect of anticipated expense and cost reductions and synergies as though the full effect of the synergies and cost savings were realized on the first day of the relevant period and shall also include the reasonably anticipated full run rate cost savings effect (as calculated in good faith by a responsible financial or chief accounting officer of the Issuer) of cost savings programs that have been initiated by a member of the Group as though such cost savings programs had been fully implemented on the first day of the relevant period (regardless of whether these cost savings and cost reduction synergies could then be reflected in *pro forma* financial statements to the extent prepared); *provided* that such anticipated expense and cost reductions and synergies and cost savings are reasonably anticipated to be realized within 18 months after the consummation of the cost savings program, any operational change or the Purchase or Sale which is expected to result in such anticipated expense and cost reductions and synergies and cost savings), and (b) in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period; *provided*, that, in making such computation, the amount of Indebtedness under any revolving credit facility or overdraft facility shall be computed based upon the average daily balance of such Indebtedness during such period. For the purpose of calculating *pro forma* effect pursuant to clause (2) above, the definition of "Fixed Charge Coverage Ratio" and for the first paragraph and clause (5) of the second paragraph of the "*—Limitation on Indebtedness*" covenant, as well as clause (3) of the first paragraph of the "*—Merger and consolidation—The Issuer*" covenant, *pro forma* effect may also be given to anticipated acquisitions where the Indebtedness to be Incurred is to finance such acquisitions in whole or in part or which have not yet occurred but which have become subject to a definitive purchase agreement or contract.

"*Consolidated Net Income*" means, for any period, the net income (loss) of the Issuer determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

- (1) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not the Issuer or a Restricted Subsidiary, except that the Issuer's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to a member of the Group as a dividend or other distribution or return on investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

- (2) solely for the purpose of determining the amount available for Restricted Payments under clause (4)(c)(i) of the first paragraph of the "*—Limitation on Restricted Payments*" covenant, any net income (loss) of any Restricted Subsidiary (other than a Senior Secured Notes Guarantor) if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Senior Secured Notes, the Senior Secured Notes Indenture, the Security Documents, the Senior Subordinated Notes, the Senior Subordinated Indenture and the security documents with respect to the Senior Subordinated Notes and (c) restrictions not prohibited by the "*—Limitation on restrictions on distributions from Restricted Subsidiaries*" covenant) except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents or non-cash distributions to the extent converted into cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to a member of the Group as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);
- (3) any net gain (or loss) realized upon the sale, abandonment or other disposition of any asset or disposed operations of any member of the Group (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);
- (4) any extraordinary, exceptional, unusual or nonrecurring gain, loss, charge or expense or any charges, expenses or reserves in respect of any restructuring, redundancy or severance;
- (5) the cumulative effect of a change in accounting principles;
- (6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions;
- (7) all deferred financing costs written off and premiums paid or other expenses Incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;
- (8) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value of changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;
- (9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;
- (10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any member of the Group owing to a member of the Group;
- (11) any effects of purchase accounting including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenues in component amounts required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to a member of the Group), as a result of any consummated acquisition (either prior to or after the Issue Date) or the amortization or write-off of any amounts thereof (including any write-off of in process research and development);
- (12) any goodwill or other intangible asset impairment, charge or write-off;
- (13) any capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding;

- (14) consolidated depreciation and amortization expense to the extent in excess of net capital expenditures for such period, and Consolidated Income Taxes to the extent in excess of cash payments made in respect of such Consolidated Income Taxes; and
- (15) to the extent covered by insurance and actually reimbursed, or, so long as the Issuer has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is (a) not denied by the applicable carrier in writing within 180 days and (b) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days), losses with respect to business interruption.

"*Consolidated Senior Secured Net Leverage*" means the sum of the aggregate outstanding Senior Secured Indebtedness of the Group (excluding Hedging Obligations) less cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries (other than cash or Cash Equivalents received upon the Incurrence of Indebtedness by the Group and not immediately or subsequently applied or used for any purpose not prohibited by the Senior Secured Notes Indenture), as of the relevant date of calculation on a consolidated basis on the basis of IFRS.

"*Consolidated Senior Secured Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) the Consolidated Senior Secured Net Leverage to (y) Consolidated EBITDA, calculated and determined in a manner consistent with the provisions of the definition of "Consolidated Net Leverage Ratio".

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person Guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("*primary obligations*") of any other Person (the "*primary obligor*"), including any obligation of such Person, whether or not contingent:

- (1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;
- (2) to advance or supply funds:
  - (a) for the purchase or payment of any such primary obligation; or
  - (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or
- (3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Credit Facility*" means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, arrangements, instruments or indentures (including the New Revolving Credit Facility or commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original New Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument which otherwise qualifies as a "Credit Facility" (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the fair market value (as determined in good faith by an Officer or the Board of Directors of the Issuer) of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the "*—Limitation on sales of assets and subsidiary stock*" covenant.

"*Designated Preference Shares*" means, with respect to the Issuer or any Parent Entity, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (4)(c)(ii) of the first paragraph of the "*—Limitation on Restricted Payments*" covenant.

"*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 mandatorily redeemable for cash or in exchange for Indebtedness 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 or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or repurchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior to the earlier of (a) the Stated Maturity of the Senior Secured Notes or (b) the date on which there are no Senior Secured Notes outstanding; *provided, however*, that (i) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock and (ii) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Senior Secured Notes to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant Person with the "*—Certain covenants—Limitation on Restricted Payments*" covenant.

"*Equity Offering*" means a public or private sale of (x) Capital Stock of the Issuer or (y) Capital Stock or other securities of a Parent Entity, the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity of the Issuer or any of its Restricted Subsidiaries, in each case other than:

- (1) Disqualified Stock or Designated Preference Shares;
- (2) offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions;
- (3) any such sale that constitutes an Excluded Contribution or Excluded Amount; and
- (4) any such sale the proceeds of which are utilized pursuant to clause (11) of the second paragraph of the covenant under "*—Certain covenants—Limitation on Indebtedness*".

"Euro Equivalent" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Issuer or the Senior Secured Notes Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in *The Financial Times* in the "Currency Rates" section (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, such source as may be selected in good faith by the Issuer) on the date of such determination.

"Euroclear" means Euroclear Bank SA/NV or any successor securities clearing agency thereof.

"European Government Obligations" means direct obligations of, or obligations Guaranteed by, a member state of the Pre-Expansion European Union, and the payment for which such member state of the Pre-Expansion European Union pledges its full faith and credit, in each case which are payable in euro and not callable or redeemable at the option of the issuer thereof.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"Excluded Contribution" means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or Excluded Amounts) of the Issuer after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares or Excluded Amounts) or Subordinated Shareholder Funding of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

"Existing Fixed Rate Notes" means the €250.0 million aggregate principal amount of 4.00% senior secured fixed rate notes due 2023 issued by 3AB Optique Développement and guaranteed by the Issuer and certain subsidiaries of 3AB Optique Développement, which will be redeemed in full in connection with the Transactions.

"Existing Floating Rate Notes" means the €165.0 million aggregate principal amount of senior secured floating rate notes due 2023 issued by 3AB Optique Développement and guaranteed by the Issuer and certain subsidiaries of 3AB Optique Développement, which will be redeemed in full in connection with the Transactions.

"Existing Notes" means, collectively, the Existing Fixed Rate Notes and the Existing Floating Rate Notes.

"fair market value" wherever such term is used in this Description of the Senior Secured Notes or the Senior Secured Notes Indenture (except in relation to an enforcement action or certain distressed disposals pursuant to the New Intercreditor Agreement, and any Additional Intercreditor Agreement and except as otherwise specifically provided in this Description of the Senior Secured Notes or the Senior Secured Notes Indenture), means, with respect to any asset or property, the sale value that would be obtained in an arm's length free market transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by an Officer or the Board of Directors of the Issuer or a resolution of the Board of Directors of the Issuer, respectively.

"Fixed Charge Coverage Ratio" means, for any period, the ratio of Consolidated EBITDA to Consolidated Financial Interest Expense, calculated and determined in a manner consistent with the provisions of the definition of "Consolidated Net Leverage Ratio". If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Fixed Charge Coverage Ratio Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness for a period equal to the remaining term of such Indebtedness).

"Group" refers to the Issuer and the Issuer's Restricted Subsidiaries.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

- (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or

by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

- (2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

*provided, however*, that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

"*Holder*" means each Person in whose name the Senior Secured Notes are registered on the Registrar's books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

"*Holding AA & Fils*" means Holding AA & Fils, a *société à responsabilité limitée* organized and existing under the laws of Luxembourg, having at the date hereof a share capital of EUR 1,100,000, having its registered office at 22, rue Glesener, L-1630 and registered with the Luxembourg Trade and Companies Register under number B 180682.

"*Holding AA-OC*" means Holding AA-OC, a *société à responsabilité limitée* organized and existing under the laws of Luxembourg, having at the date hereof a share capital of EUR 100,000, having its registered office at 22, rue Glesener, L-1630 and registered with the Luxembourg Trade and Companies Register under number B 180923.

"*Holding AA Entities*" means each of Holding AA & Fils and Holding AA-OC.

"*IFRS*" means the International Financial Reporting Standards promulgated by the International Accounting Standards Board or any successor board or agency as endorsed by the European Union as in effect from time to time; *provided, however*, that at any date after the Issue Date the Issuer may make an irrevocable election to establish that "IFRS" shall mean IFRS in effect on a date that is on or prior to the date of such election (but after the Issue Date) for the purpose of the Senior Secured Notes Indenture (except for the "*—Reports*" covenant). Except as otherwise set forth in the Senior Secured Notes Indenture, all ratios and calculations based on IFRS contained in the Senior Secured Notes Indenture shall be computed in accordance with IFRS.

"*Incur*" means issue, create, assume, enter into any Guarantee of, Incur, extend or otherwise become liable for; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "*Incurred*", "*Incurring*" and "*Incurrence*" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "*Incurred*" at the time any funds are borrowed thereunder.

"*Indebtedness*" means, with respect to any Person on any date of determination (without duplication):

- (1) the principal of indebtedness of such Person for borrowed money;
- (2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments *plus* the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 60 days of Incurrence);
- (4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;
- (5) Capitalized Lease Obligations of such Person;
- (6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

- (7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (x) the fair market value of such asset at such date of determination (as determined in good faith by an Officer or the Board of Directors of the Issuer) and (y) the amount of such Indebtedness of such other Persons;
- (8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person (other than by endorsement of negotiable instruments for collection in the ordinary course of business); *provided* that for the purposes of the calculation of the Consolidated Net Leverage Ratio if the net proceeds of any Parent Debt have been on-lent to the Issuer as an Issuer Proceeds Loan and such Parent Debt is Guaranteed by a member of the Group, only the principal of obligations under the Issuer Proceeds Loan in connection with such Parent Debt shall count and the corresponding Guarantee shall be deemed reduced by the amount of such Indebtedness; and
- (9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

Notwithstanding the foregoing, the term "Indebtedness" shall not include (i) Subordinated Shareholder Funding, (ii) prepayments of deposits received from clients or customers in the ordinary course of business, (iii) any pension obligations, (iv) Contingent Obligations in the ordinary course of business, (v) obligations under or in respect of Qualified Receivables Financing, (vi) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business, (vii) non-interest bearing installment obligations and accrued liabilities Incurred in the ordinary course of business that are not more than 120 days past due, (viii) Guarantees of Indebtedness Incurred by franchisees for an aggregate amount at any time outstanding not exceeding €40 million, (ix) indebtedness in respect of the Incurrence by the Issuer or any Restricted Subsidiary of indebtedness in respect of standby letters of credit, performance bonds or surety bonds provided by the Issuer or any Restricted Subsidiary in the ordinary course of business to the extent such letters of credit or bonds are not drawn upon or, if and to the extent drawn upon are honored in accordance with their terms and if, to be reimbursed, are reimbursed no later than the fifth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit or bond, or (x) indebtedness Incurred by the Issuer or one of the Restricted Subsidiaries in connection with a transaction where (A) such indebtedness is borrowed from a bank or trust company, having a combined capital and surplus and undivided profits of not less than €250 million, whose debt has a rating immediately prior to the time such transaction is entered into, of at least A or the equivalent thereof by S&P and A2 or the equivalent thereof by Moody's and (B) a substantially concurrent Investment is made by the Issuer or a Restricted Subsidiary in the form of cash deposited with the lender of such indebtedness, or a Subsidiary or Affiliate thereof, in amount equal to such indebtedness. For the avoidance of doubt and notwithstanding the above, the term "Indebtedness" excludes any accrued expenses and trade payables.

Notwithstanding the foregoing, the term "Indebtedness" shall include Parent Debt (i) on which interest payments are being made pursuant to clause (17)(ii) of the third paragraph of the "*Limitation on Restricted Payments*" covenant and (ii) not Guaranteed by the Issuer or any of its Restricted Subsidiaries, which shall be deemed to have been incurred under the first paragraph or second paragraph of the "*Limitation on Indebtedness*" covenant.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Senior Secured Notes Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7) or (8) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

- (1) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however*, that, at the time of closing,



the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter; or

- (2) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes.

*"Independent Financial Advisor"* means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided, however*, that such firm or appraiser is not an Affiliate of the Issuer.

*"Initial Investors"* means any trust, fund, company or partnership owned, managed or advised by Lion Capital, Amboise Partners, Mr. Alain Afflelou or Caisse de Dépôt et Placement du Québec or any of their respective Affiliates or direct or indirect Subsidiaries or any limited partner of any such trust, fund, company or partnership.

*"Initial Public Offering"* means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent Entity or any successor of the Issuer or any Parent Entity (the *"IPO Entity"*) following which there is a public market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

*"Interest Rate Agreement"* means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

*"Investment"* means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided, however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the *"—Limitation on Restricted Payments"* covenant.

For purposes of *"—Certain covenants—Limitation on Restricted Payments"*:

- (1) "Investment" will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary of the Issuer at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Issuer's "Investment" in such Subsidiary at the time of such redesignation *less* (b) the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the fair market value of the net assets (as determined in good faith by an Officer or the Board of Directors of the Issuer) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and
- (2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, (as determined in good faith by an Officer or the Board of Directors of the Issuer) of such Subsidiary.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"*Investment Grade Securities*" means:

- (1) securities issued or directly and fully Guaranteed or insured by the United States government or any agency or instrumentality thereof (other than Cash Equivalents);
- (2) securities issued or directly and fully Guaranteed or insured by a member state of the Pre-Expansion European Union, Switzerland, Canada, the United States of America, any State of the United States or the District of Columbia, or any agency or instrumentality thereof (other than Cash Equivalents);
- (3) debt securities or debt instruments with a rating of "A-" or higher from S&P or "A3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries; and
- (4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

"*Investment Grade Status*" shall occur when the Senior Secured Notes receive both of the following:

- (1) a rating of "BBB-" or higher from S&P; and
- (2) a rating of "Baa3" or higher from Moody's,

or the equivalent of such rating by either such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"*IPO Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"*Issue Date*" means , 2021.

"*Issue Date Senior Secured Notes Guarantor*" mean each of 3AB Optique Développement and Alain Afflelou Franchiseur (collectively, the "*Issue Date Senior Secured Notes Guarantors*").

"*Issuer*" means Afflelou a *société par actions simplifiée* incorporated under the laws of France, that was formerly known as Lion Seneca France 1, and any successor thereto.

"*Issuer Proceeds Loan*" means any loan agreement entered into between a Parent Entity and the Issuer pursuant to which the Parent Entity lends to the Issuer the net proceeds of any Indebtedness Incurred by the Parent Entity; *provided* that (i) the principal amount of, and interest rate on, such Issuer Proceeds Loan will not be greater than the principal amount of, and interest rate on, the Indebtedness Incurred by the Parent Entity that funded such Issuer Proceeds Loan (except to the extent a reasonable margin is required by law), as such Indebtedness is amended, replaced or otherwise refinanced from time to time and (ii) such Issuer Proceeds Loan shall be subordinated to the Senior Secured Notes in right of payment to the Senior Secured Notes in accordance with the New Intercreditor Agreement and any Additional Intercreditor Agreement.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"*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 the consummation of which is not conditioned upon the availability of, or on obtaining, third-party financing; *provided* that Consolidated EBITDA, other than for purposes of calculating any ratios in connection with the Limited Condition Acquisition and the related transactions, shall not include any Consolidated EBITDA of or attributable to the target company or assets involved in any such Limited Condition Acquisition unless and until the closing of such Limited Condition Acquisition shall have actually occurred.

"*L'Opticien Afflelou Proceeds Loan*" means the proceeds loan from 3AB Optique Développement to L'Opticien Afflelou in a maximum principal amount of €20.0 million.

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent Entity, the Issuer or any Restricted Subsidiary:

- (1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer or its Subsidiaries or any Parent Entity with (in the case of this sub-clause (b)) the approval of the Board of Directors;
- (2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or
- (3) (in the case of this clause (3)) not exceeding €2.5 million in the aggregate outstanding at any time.

"*Management Investors*" means the current or former officers, directors, employees and other members of the management of or consultants to any Parent Entity, the Issuer or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Issuer, any Restricted Subsidiary or any Parent Entity.

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Moody's*" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Nationally Recognized Statistical Rating Organization*" means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) of the Exchange Act.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

- (1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Disposition;
- (2) all payments made on any Indebtedness (i) which is secured by any assets subject to such Asset Disposition, or (ii) which must by its terms, or in order to obtain necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;
- (3) all distributions and other payments required to be made to minority interest holders (other than any Parent Entity, the Issuer or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and
- (4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition.

"*Net Cash Proceeds*", with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage,

consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

**"New Intercreditor Agreement"** means the New Intercreditor Agreement dated on or about the Issue Date by and among, *inter alios*, the Issuer, the Senior Secured Notes Trustee, the trustee with respect to the Senior Subordinated Notes, the Security Agent, and certain other parties thereto, as amended from time to time.

**"New Revolving Credit Facility"** means the revolving credit facility available pursuant to the New Revolving Credit Facility Agreement.

**"New Revolving Credit Facility Agreement"** means the revolving credit facility agreement dated on or prior to the Issue Date among, *inter alios*, the Issuer and the agent thereunder, as it shall be restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

**"Offering"** means the offering and issuance of the Senior Secured Notes and the Senior Subordinated Notes and the application of the gross proceeds therefrom.

**"Offering Memorandum"** means the final offering memorandum in relation to the Senior Secured Notes and the Senior Subordinated Notes.

**"Officer"** means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Senior Secured Notes Indenture by the Board of Directors of such Person.

**"Officer's Certificate"** means, with respect to any Person, a certificate signed by one Officer of such Person.

**"Opinion of Counsel"** means a written opinion in form and substance reasonably satisfactory to the Senior Secured Notes Trustee from legal counsel reasonably satisfactory to the Senior Secured Notes Trustee. The counsel may be an employee of or counsel to the Issuer or its Subsidiaries.

**"Parent Debt"** means any Indebtedness Incurred by a Parent Entity, the interest of which is being serviced pursuant to clause (17) of the definition of "Permitted Payments".

**"Parent Debt Contribution"** means the issuance by the Issuer of any Capital Stock, Preferred Stock, Subordinated Shareholder Funding, the contribution to the equity of the Issuer or the Incurrence of any debt instrument by the Issuer pursuant to which, in each case, the net proceeds of Parent Debt is contributed to the Issuer or any of its Restricted Subsidiaries.

**"Parent Entity"** of the Issuer means any other Person (other than a natural person) that (i) legally and beneficially owns more than 50% of the Voting Stock of the Issuer, either directly or through one or more Subsidiaries, (ii) is a Subsidiary of any Person referred to in the preceding clause or (iii) any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent Entity; *provided, however*, that in no event shall any Subsidiary of the Issuer constitute its Parent Entity.

**"Parent Expenses"** means:

- (1) costs (including all professional fees and expenses) Incurred by any Parent Entity or any Holding AA Entity in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, in each case, to the extent relating to Indebtedness of the Issuer or a Restricted Subsidiary, the Senior Secured Notes Indenture, the Senior Subordinated Notes Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;
- (2) customary indemnification obligations of any Parent Entity or any Holding AA Entity owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Issuer and its Subsidiaries;

- (3) obligations of any Parent Entity or any Holding AA Entity in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and its Subsidiaries;
- (4) fees and expenses payable by any Parent Entity or any Holding AA Entity in connection with the Transactions;
- (5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent Entity or any Holding AA Entity related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries or (b) costs and expenses with respect to any litigation or other dispute relating to the Transactions or the ownership, directly or indirectly, of the Issuer by any Parent Entity or any Holding AA Entity;
- (6) other fees, expenses and costs relating directly or indirectly to activities of the Issuer and its Subsidiaries or any Parent Entity, any Holding AA Entity or any other Person which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed €2 million in any fiscal year;
- (7) expenses incurred by any Parent Entity or any Holding AA Entity in connection with any public offering or other sale of Capital Stock or Indebtedness:
  - (x) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary;
  - (y) 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
  - (z) otherwise on an interim basis prior to completion of such offering so long as any Parent Entity or any Holding AA Entity shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed; and
- (8) fees, taxes, expenses and costs required to maintain the corporate existence of any Parent Entity or any Holding AA Entity.

"*Pari Passu Indebtedness*" means (1) with respect to the Issuer, any Indebtedness that ranks *pari passu* in right of payment to the Senior Secured Notes and (2) with respect to any Senior Secured Notes Guarantor, any Indebtedness that ranks *pari passu* in right of payment to such Senior Secured Notes Guarantor's Senior Secured Notes Guarantee.

"*Paying Agent*" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Senior Secured Note on behalf of the Issuer.

"*Permitted Asset Swap*" means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents or Temporary Cash Investments between the Issuer or any of its Restricted Subsidiaries and another Person; *provided* that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the "*—Limitation on sales of assets and subsidiary stock*" covenant.

"*Permitted Collateral Liens*" means:

- (1) Liens on the Senior Secured Notes Collateral to secure the Senior Secured Notes on the Issue Date and the Senior Secured Notes Guarantees of such Senior Secured Notes and any Refinancing Indebtedness in respect thereof (and any Refinancing Indebtedness in respect of Refinancing Indebtedness); *provided* that each of the parties thereto will have entered into the New Intercreditor Agreement or an Additional Intercreditor Agreement;
- (2) Liens on the Senior Secured Notes Collateral that are described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (10), (11), (12), (13), (14), (15), (17), (19), (20), (21), (22), (23) and (29) of the definition of "Permitted Liens";
- (3) Liens on the Senior Secured Notes Collateral to secure any Indebtedness (including any Additional Senior Secured Notes) that are permitted to be incurred under (a) the first paragraph of the "*—Limitation on Indebtedness*" covenant or (b) clause (5) of the second paragraph of the "*—Limitation on Indebtedness*" covenant (that is incurred, with respect to this clause (3)(b) only, by the Issuer or a Senior Secured Notes Guarantor) and (c) any Refinancing Indebtedness in respect of any of the foregoing (and any Refinancing Indebtedness in respect of Refinancing

Indebtedness); *provided* that, in the case of clause (a) only, on the date of such Incurrence after giving *pro forma* effect thereto and the application of proceeds therefrom, the Consolidated Senior Secured Net Leverage Ratio of the Issuer would have been no more than 3.83 to 1.0; or in the case of clause (b) only, on the date of such Incurrence after giving *pro forma* effect thereto and the application of proceeds therefrom, the Consolidated Senior Secured Net Leverage Ratio of the Issuer would have been either (x) no more than 3.83 to 1.0 or (y) no higher than it was immediately prior to giving effect to the relevant transaction;

- (4) Liens on the Senior Secured Notes Collateral to secure any Indebtedness that is permitted to be Incurred under clauses (1), (2) (in the case of clause (2), to the extent such Senior Secured Notes Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in clauses (3) and (4) of the definition of "Permitted Collateral Liens"), (4)(a) and (c) (to the extent the Indebtedness refinanced was secured by Liens on the Senior Secured Notes Collateral), (6), (11) and (15) of the second paragraph of the "*—Limitation on Indebtedness*" covenant and any Refinancing Indebtedness in respect of any of the foregoing (and any Refinancing Indebtedness in respect of Refinancing Indebtedness);
- (5) Liens on the Senior Secured Notes Collateral to secure any Indebtedness that is permitted to be Incurred under clause (7) of the second paragraph of the "*—Limitation on Indebtedness*" covenant; and
- (6) any Lien securing Indebtedness (including Parent Debt and any Guarantee thereof) on a basis junior to the Senior Secured Notes, including, for the avoidance of doubt, the Senior Subordinated Notes;

*provided, however*, in the case of clauses (3), (4), (5) and (6), that

- (A) any such Indebtedness is subject to the New Intercreditor Agreement or to an Additional Intercreditor Agreement; and
- (B) the Senior Secured Notes Collateral securing such Indebtedness shall also secure the Senior Secured Notes or the Senior Secured Notes Guarantees on a senior or *pari passu* basis; *provided* that, with respect to Indebtedness that is Incurred under clauses (1), (6) and (7) of the second paragraph of the "*—Limitation on Indebtedness*" covenant, such Indebtedness may receive priority with respect to distributions of proceeds of any enforcement of Senior Secured Notes Collateral.

"*Permitted Holders*" means (1) the Initial Investors and their Affiliates and Related Persons, (2) Senior Management, (3) the Holding AA Entities, and (4) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent Entity or the Issuer, acting in such capacity. Any person or group whose acquisition of beneficial ownership constitutes (i) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Senior Secured Notes Indenture or (ii) a Change of Control which is also a Specified Change of Control Event will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted Investment*" means (in each case, by the Issuer or any of its Restricted Subsidiaries):

- (1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) a Person (including the Capital Stock of any such Person) that is engaged in any Similar Business and such Person will, upon the making of such Investment, become a Restricted Subsidiary;
- (2) Investments in another Person if such Person is engaged in any Similar Business and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;
- (3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business;

- (5) Investments in payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;
- (6) Management Advances;
- (7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;
- (8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "*Certain covenants—Limitation on sales of assets and subsidiary stock*";
- (9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date and disclosed in the Offering Memorandum as having occurred or as may be about to occur;
- (10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "*Certain covenants—Limitation on Indebtedness*";
- (11) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the "*Limitation on Liens*" covenant;
- (12) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock) or Subordinated Shareholder Funding or Capital Stock of any Parent Entity as consideration;
- (13) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the "*Limitation on Affiliate Transactions*" covenant (except those described in clauses (1), (3), (8), (9) and (12) of that paragraph);
- (14) Guarantees not prohibited by the "*Limitation on Indebtedness*" covenant and (other than with respect to Indebtedness) loans, Guarantees, keepwells and similar arrangements in the ordinary course of business, including Guarantees of the obligations of, and loans to, franchisees;
- (15) advances, loans or other extensions of credit to any joint venture or franchisee (but not, for the avoidance of doubt, any purchase or acquisition of Capital Stock of a joint venture or franchisee or any other form of contribution to the equity of such joint venture to franchisee) in the ordinary course of business;
- (16) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property or Investments in franchisees or franchised stores in respect of any such purchases and acquisitions, in any case, in the ordinary course of business and otherwise in accordance with the Senior Secured Notes Indenture;
- (17) (i) Investments in franchisees or franchisees' stores and (ii) Investments in joint ventures of the Issuer or any of its Restricted Subsidiaries and Investments in Unrestricted Subsidiaries that do not exceed, collectively for (i) and (ii), an aggregate principal amount of the greater of (x) €15 million and (y) 14.4% of Consolidated EBITDA outstanding at any time; *provided, however*, that if any Investment pursuant to this clause (17) is made in any Person that is not a Restricted Subsidiary of the Issuer at the date of the making of such Investment and such Person becomes a Restricted Subsidiary of the Issuer after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) above and shall cease to have been made pursuant to this clause (17) for so long as such Person continues to be a Restricted Subsidiary;
- (18) Investments in the Senior Secured Notes and any Additional Senior Secured Notes;
- (19) loans or other Investments required to be entered into in connection with a Qualified Receivables Financing; and

- (20) Investments, taken together with all other Investments made pursuant to this clause (20) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed the greater of (x) €15 million and (y) 14.4% of Consolidated EBITDA; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the "*—Limitation on Restricted Payments*" covenant, 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 (20).

"*Permitted Liens*" means, with respect to any Person:

- (1) Liens on assets or property of a Restricted Subsidiary that is not a Senior Secured Notes Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Senior Secured Notes Guarantor;
- (2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion Guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, Guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for 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;
- (3) Liens imposed by law or agreement of similar effect, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other like Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;
- (4) Liens for taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;
- (5) Liens in favor of issuers of surety, performance or other bonds, Guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of its business and Liens to secure cash management services or to implement cash pooling arrangements or to cash collateralize letters of credit or similar instruments in the ordinary course of business;
- (6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and its Restricted Subsidiaries;
- (7) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Hedging Obligations permitted under the Senior Secured Notes Indenture;
- (8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;
- (9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired and Liens imposed by any legal or administrative authority in connection with pre-judgment proceedings;
- (10) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;



- (11) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;
- (12) with respect to the Issuer and the Restricted Subsidiaries, Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date;
- (13) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary); *provided, however*, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided, further*, that such Liens are limited to all or part of the same property, other assets or stock (*plus* improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;
- (14) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Indebtedness or other obligations of such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Restricted Subsidiary;
- (15) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Senior Secured Notes Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (*plus* improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;
- (16) (i) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease and (ii) any Liens on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing Purchase Money Obligations or Capitalized Lease Obligations; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Senior Secured Notes Indenture and (b) any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;
- (17) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary of the Issuer has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;
- (18) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;
- (19) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;
- (20) Liens on Receivables Assets Incurred in connection with a Qualified Receivables Financing;
- (21) Liens on escrowed proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

- (22) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;
- (23) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;
- (24) Liens securing Indebtedness or other obligations of a Receivables Subsidiary;
- (25) Permitted Collateral Liens;
- (26) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;
- (27) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures or in favor of other joint venture partners;
- (28) Liens arising as a result of a disposition, whether or not deemed to be an Asset Disposition;
- (29) Liens securing Indebtedness Incurred pursuant to local lines of credit and overdraft facilities;
- (30) (a) Liens created for the benefit of or to secure the Senior Secured Notes and the Senior Secured Notes Guarantees, (b) Liens pursuant to the New Intercreditor Agreement and the security documents entered into pursuant to the New Revolving Credit Facility and (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing as among the Holders of the Senior Secured Notes and the creditors of such Indebtedness pursuant to the New Intercreditor Agreement or an Additional Intercreditor Agreement; and
- (31) Liens; *provided* that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (31) does not exceed the greater of (x) €25 million and (y) 24.0% of Consolidated EBITDA.

*"Permitted Reorganization"* means one or more amalgamations, combinations, mergers, demergers, liquidations, corporate dissolutions, reconstructions or other reorganizations on a solvent basis of any Restricted Subsidiary of the Issuer where: (1)(A) all the business and assets of such Restricted Subsidiary continue to be owned or held by Restricted Subsidiaries of the Issuer (and if such Restricted Subsidiary was a Guarantor immediately prior to such reorganization being implemented, substantially all the business and assets of such Restricted Subsidiary are retained by one or more Guarantors) and (B) any payments or assets distributed in connection with such reorganization remain within the Issuer and its Restricted Subsidiaries; (2) the Security Agent and the Trustee shall take any action necessary to effect any releases of Collateral requested by the Issuer in connection with the reorganization (other than Collateral pledged by any Parent); *provided* that, reasonably promptly after completion of the reorganization, Liens securing the Senior Secured Notes or the Senior Secured Notes Guarantees are retaken over assets, Capital Stock and other property such that the Liens over the new Collateral will (taken as a whole together with any pre-existing Liens on Collateral that were not released in connection with the reorganization) be substantially equivalent (as determined in good faith by the Board of Directors or Senior Management of the Issuer) to the Liens that were in place immediately prior to the reorganization; (3) the Security Agent and the Trustee shall take any action necessary to effect any releases of Senior Secured Notes Guarantees requested by the Issuer in connection with the reorganization; *provided* that, reasonably promptly after completion of the reorganization, Senior Secured Notes Guarantees are provided by such Restricted Subsidiaries of the Issuer as is necessary to procure that such new Senior Secured Notes Guarantees will (taken as a whole together with any pre-existing Senior Secured Notes Guarantees that were not released in connection with the reorganization) be substantially equivalent (as determined in good faith by the Board of Directors or Senior Management of the Issuer) to the Senior Secured Notes Guarantees existing prior to the reorganization; and (4) prior to the reorganization, the Issuer will provide to the Trustee and the Security Agent an Officer's Certificate confirming (i) that no Default is continuing or would arise as a result of such reorganization and (ii) that such reorganization complies with the requirements set out in this definition.

*"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.

*"Post-Issue Date Senior Secured Notes Guarantor"* means each of Alain Afflelou International, 3ABOE, LSFA and L'Opticien Afflelou (collectively, the *"Post-Issue Date Senior Secured Notes Guarantors"*).

*"Pre-Expansion European Union"* means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after 1 January 2004.

*"Preferred Stock"* as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary, winding up or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

*"Public Debt"* means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (i) a public offering registered under the Securities Act or (ii) a private placement to institutional and other investors, in each case, that are not Affiliates of the Issuer, in accordance with Section 4(a)(2) of and/or Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

*"Public Offering"* means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A and/or Regulation S under the Securities Act to professional market investors or similar persons).

*"Purchase Money Obligations"* means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

*"Qualified Receivables Financing"* means any Receivables Financing that meets the following conditions: (1) an Officer or the Board of Directors of the Issuer shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer or the relevant Subsidiary of the Issuer, (2) all sales of accounts receivable and related assets of the Issuer or the relevant Subsidiary of the Issuer are made at fair market value (as determined in good faith by an Officer or the Board of Directors of the Issuer), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Issuer) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Issuer or any of its Restricted Subsidiaries to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Senior Secured Notes shall not be deemed a Qualified Receivables Financing.

*"Rating Agency"* means S&P Global Ratings Europe Limited (S&P) or its successor, Moody's Investors Service Ltd (Moody's) or its successor and Fitch Ratings (Fitch) (or, if any or all of these agencies cease to exist or publish ratings generally or if the Issuer so decides, any alternative internationally recognized rating agency or agencies which has, at the request of the Issuer, assigned a credit rating to the Issuer.

*"Receivables Assets"* means any assets that are or will be the subject of a Qualified Receivables Financing.

*"Receivables Fees"* means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

*"Receivables Financing"* means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer to any other Person, or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Issuer or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all Guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Issuer or any such Subsidiary in connection with such accounts receivable.

*"Receivables Repurchase Obligation"* means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

*"Receivables Subsidiary"* means a Wholly Owned Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Issuer (as provided below) as a Receivables Subsidiary and:

- (1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is Guaranteed by the Issuer or any Restricted Subsidiary of the Issuer (excluding Guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a Guarantee of any losses on securitized or sold receivables by the Issuer or any Restricted Subsidiary of the Issuer, (iii) is recourse to or obligates the Issuer or any other Restricted Subsidiary of the Issuer in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Issuer or any Restricted Subsidiary of the Issuer, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;
- (2) with which neither the Issuer nor any Restricted Subsidiary of the Issuer has any contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and
- (3) to which neither the Issuer nor any Restricted Subsidiary of the Issuer has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Senior Secured Notes Trustee by filing with the Senior Secured Notes Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

*"Recognized Stock Exchange"* means a regulated market operated by any of Euronext, the New York Stock Exchange, NASDAQ, the Deutsche Börse, the Toronto Stock Exchange, the London Stock Exchange, the Amsterdam Stock Exchange, the Hong Kong Stock Exchange, the Singapore Exchange or such other similar regulated national securities exchange.

*"refinance"* means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms *"refinances"*, *"refinanced"* and *"refinancing"* as used for any purpose in the Senior Secured Notes Indenture shall have a correlative meaning.

*"Refinancing"* means the redemption and repayment in full of the Existing Notes, the cancellation in full of the Existing Revolving Credit Facility, the repayment of the PGE Loan and the entering into of the New Revolving Credit Facility Agreement.

*"Refinancing Indebtedness"* means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Senior Secured Notes Indenture or Incurred in compliance with the Senior Secured Notes Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Issuer or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided, however*, that:

- (1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred

that is the same as or later than the final stated maturity of the Indebtedness being refinanced or the Senior Secured Notes;

- (2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (*plus*, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and
- (3) if the Indebtedness being refinanced is expressly subordinated to the Senior Secured Notes, such Refinancing Indebtedness is subordinated to the Senior Secured Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced;

*provided, however*, that Refinancing Indebtedness shall not include (x) Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary and (y) Indebtedness of a Restricted Subsidiary of the Issuer that is not a Senior Secured Notes Guarantor that refinances Indebtedness of the Issuer or a Senior Secured Notes Guarantor.

"*Related Person*" with respect to any Permitted Holder, means:

- (1) any controlling equity holder or majority (or more) owned Subsidiary of such Person;
- (2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof;
- (3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or
- (4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"*Related Taxes*" means:

- (1) any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding Taxes), required to be paid (*provided* such Taxes are in fact paid) by any Parent Entity by virtue of its:
  - (a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries);
  - (b) issuing or holding Subordinated Shareholder Funding;
  - (c) being a holding company Parent Entity, directly or indirectly, of the Issuer or any of the Issuer's Subsidiaries;
  - (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any of the Issuer's 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 Parent Entity pursuant to "*Certain covenants—Limitation on Restricted Payments*"; or
- (2) if and for so long as the Issuer is a member of a group filing a consolidated or combined tax return with any Parent Entity, any consolidated and combined Taxes measured by income 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 if the Issuer and its Subsidiaries had paid such Taxes on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Subsidiaries.

"*Representative*" means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"*S&P*" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Security Agent*" means U.S. Bank Trustees Limited, acting as security agent pursuant to the New Intercreditor Agreement or such successor Security Agent or any delegate thereof as may be appointed thereunder or any such security agent, delegate or successor thereof pursuant to an Additional Intercreditor Agreement.

"*Security Documents*" means the security agreements, pledge agreements, collateral assignments, call options and any other instrument and document executed and delivered pursuant to the Senior Secured Notes Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Senior Secured Notes Collateral.

"*Senior Management*" means the officers, directors, and other members of senior management of the Issuer or any of its Subsidiaries, who at any date beneficially own or have the right to acquire, directly or indirectly (including through a Holding AA Entity), Capital Stock of the Issuer or any Parent Entity.

"*Senior Secured Indebtedness*" means, with respect to the Issuer or any Restricted Subsidiary as of any date of determination, (a) any Indebtedness that is Incurred under the first paragraph of the "*—Limitation on Indebtedness*" covenant or clauses (1), (4), (5), (6), (7) and (15) of the second paragraph of the "*—Limitation on Indebtedness*" covenant (in the case of clause (4), to the extent such Indebtedness constitutes Indebtedness under the Senior Secured Notes (excluding Additional Senior Secured Notes)) and any Refinancing Indebtedness in respect thereof, in each case secured by a Lien on the Senior Secured Notes Collateral that is at least pari passu with the Liens securing the Senior Secured Notes and (b) Indebtedness of a Restricted Subsidiary that is not a Senior Secured Notes Guarantor; provided that Indebtedness of the Issuer or any Restricted Subsidiary consisting of leases (including Capitalized Lease Obligations) or other obligations existing on the Issue Date or incurred thereafter that would have been treated as operating leases under IAS 17 (Leases), as in effect on December 31, 2018, before the implementation of IFRS 16 (Leases), shall be deemed to be excluded from this definition. For the avoidance of doubt, in no event shall any Parent Debt, and any Guarantees thereof permitted under clause (12) of the second paragraph of the "*—Limitation on Indebtedness*" covenant constitute Senior Secured Indebtedness.

"*Senior Secured Notes Documents*" means the Senior Secured Notes (including Additional Senior Secured Notes), the Senior Secured Notes Indenture, the Security Documents, the New Intercreditor Agreement and any Additional Intercreditor Agreements.

"*Senior Secured Notes Guarantor*" means each of the Issue Date Senior Secured Notes Guarantors and the Post-Issue Date Senior Secured Notes Guarantors and any Additional Senior Secured Notes Guarantor that executes a supplemental indenture in accordance with the provisions of the Senior Secured Notes Indenture, and their respective successors and assigns, in each case, until the Senior Secured Notes Guarantee of such Person has been released in accordance with the provisions of the Senior Secured Notes Indenture (collectively, the "*Senior Secured Notes Guarantors*").

"*Senior Secured Notes Indenture*" means the indenture to be entered into on the Issue Date by and between the Issuer, the Issue Date Senior Secured Notes Guarantors, the Trustee and the Security Agent pursuant to which the Issuer will issue Senior Secured Notes and the Senior Secured Notes Guarantors thereunder will grant the Senior Secured Notes Guarantees, which term for avoidance of

doubt shall also include such supplemental indentures executed and delivered by the Post-Issue Date Senior Secured Notes Guarantors in respect of the Senior Secured Notes Guarantees granted thereby.

"*Senior Subordinated Notes*" means the €75.0 million aggregate principal amount of Senior Subordinated Notes due 2027 issued concurrently with the Senior Secured Notes.

"*Shareholder Bond Repayment*" means the partial repayment, on the Issue Date by the Issuer to the holders of the Shareholder Bonds, of a portion of the Shareholder Bonds for a total of €135.0 million.

"*Shareholder Bonds*" means the shareholder convertible bonds which were issued by the Issuer, held by Lion / Seneca Lux 2 and Holding AA-OC; the Shareholder Bonds are convertible into ordinary shares of the Issuer; the Shareholder Bonds accrue pay-in-kind interest, mature on July 17, 2027, represent subordinated obligations of the Issuer and will be expressly subordinated by their terms to the Notes and the New Revolving Credit Facility, as further described in "*Description of Certain Other Indebtedness and Other Arrangements—Shareholder Bonds*".

"*Significant Subsidiary*" means any Restricted Subsidiary that meets any of the following conditions:

- (1) the Issuer and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;
- (2) the Issuer's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or
- (3) the Issuer's and its Restricted Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Restricted Subsidiary exceeds 10% of such income of the Issuer and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"*Similar Business*" means (a) any businesses, services or activities engaged in by the Issuer or any of its Subsidiaries or any Associates on the Issue Date and (b) any businesses, services and activities engaged in by the Issuer or any of its Subsidiaries that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof, including any business, services and activities relating to hearing aids.

"*Specified Change of Control Event*" means the occurrence of any event that would constitute a Change of Control Triggering Event pursuant to the definition thereof; *provided* that immediately thereafter and giving *pro forma* effect thereto, the Consolidated Net Leverage Ratio of the Issuer would have been less than (x) 5.20 to 1.0, if the date of such occurrence is prior to the twenty-four month anniversary of the Issue Date or (y) 4.95 to 1.00 thereafter. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Senior Secured Notes Indenture after the Issue Date.

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and Guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Receivables Financing, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations 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 Senior Secured Notes and any Senior Secured Notes Guarantee pursuant to a written agreement.

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to the Issuer by any Parent Entity, any Affiliate of any Parent Entity or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any

obligation under any Subordinated Shareholder Funding; *provided, however*, that such Subordinated Shareholder Funding:

- (1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Senior Secured Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition);
- (2) does not require, prior to the first anniversary of the Stated Maturity of the Senior Secured Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;
- (3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the date that is six months following the Stated Maturity of the Senior Secured Notes;
- (4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and
- (5) pursuant to the New Intercreditor Agreement, an Additional Intercreditor Agreement or another New Intercreditor Agreement, is fully subordinated and junior in right of payment to the Senior Secured Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding.

Subordinated Shareholder Funding shall be deemed to include any payment-in-kind ("*PIK*") notes issued in payment of interest thereon.

"*Subsidiary*" means, with respect to any Person:

- (1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or
- (2) any partnership, joint venture, limited liability company or similar entity of which:
  - (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and
  - (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Taxes*" means all present and future taxes, levies, imposts, deductions, charges, duties, assessments and withholdings and any charges of a similar nature (including interest, penalties, additions to tax and other liabilities with respect thereto) that are imposed or levied by any government or other taxing authority.

"*Temporary Cash Investments*" means any of the following:

- (1) any investment in
  - (a) direct obligations of, or obligations Guaranteed by, (i) a member state of the Pre-Expansion European Union, Switzerland, Canada, the United States of America, any State of the United States or the District of Columbia, (ii) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (iii) any agency or instrumentality of any such country or member state, or



- (b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:
  - (a) any lender under the New Revolving Credit Facility,
  - (b) any institution authorized to operate as a bank in any of the countries or member states referred to in subclause (1)(a) above, or
  - (c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;
- (4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of any member state of the Pre-Expansion European Union, Switzerland, Canada or the United States of America, or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB-" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (6) bills of exchange issued in any member state of the Pre-Expansion European Union, Switzerland, Canada or the United States of America, any State of the United States or the District of Columbia eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);
- (7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organisation for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;
- (8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution); and
- (9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"*Transactions*" means, collectively, (i) the Offering, (ii) the Refinancing, (iii) the Shareholder Bond Repayment and (iv) the payment of commissions, fees and expenses incurred in connection the Offering, the Refinancing and the Shareholder Bond Repayment.

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Unrestricted Subsidiary*" means:

- (1) any Subsidiary of the Issuer (other than 3AB Optique Développement) that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and
- (2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if, at the time of such designation:

- (1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and
- (2) such designation and the Investment of the Issuer in such Subsidiary complies with "*Certain covenants—Limitation on Restricted Payments*".

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Senior Secured Notes Trustee by filing with the Senior Secured Notes Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2) (x) the Issuer could Incur at least €1.00 of additional Indebtedness under the first paragraph of the "*Limitation on Indebtedness*" covenant or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors of the Issuer shall be evidenced to the Senior Secured Notes Trustee by promptly filing with the Senior Secured Notes Trustee a copy of the resolution of such Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

"*Wholly Owned Subsidiary*" means a Restricted Subsidiary of the Issuer, 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.

## Description of the Senior Subordinated Notes

*You will find definitions of certain capitalized terms used in this Description of the Senior Subordinated Notes under the heading "Certain definitions". For purposes of this Description of the Senior Subordinated Notes, (i) references to the "Issuer" refer only to Afflelou and not to any of its subsidiaries and (ii) references to "we", "our", "us" or "Group" refer to the Issuer and the Issuer's Restricted Subsidiaries.*

Afflelou (the "Issuer") will issue €75.0 million aggregate principal amount of senior subordinated floating rate notes due 2027 (the "Senior Subordinated Notes") under an indenture to be dated \_\_\_\_\_, 2021 (the "Senior Subordinated Notes Indenture"), among, *inter alios*, itself, certain subsidiaries of the Issuer that Guarantee the Senior Subordinated Notes ("Senior Subordinated Notes Guarantors"), U.S. Bank Trustees Limited, as trustee (the "Senior Subordinated Notes Trustee") and as security agent (the "Security Agent"), in a private transaction that is not subject to the registration requirements of the U.S. Securities Act of 1933, as amended. See "Notice to investors".

The Senior Subordinated Notes Indenture will be unlimited in aggregate principal amount, of which €75.0 million in aggregate principal amount of Senior Subordinated Notes will be issued in this offering. We may issue an unlimited aggregate principal amount of additional Senior Subordinated Notes subject to the provisions of the Senior Subordinated Notes Indenture, including the covenant restricting the Incurrence of Indebtedness (as described below under "Certain covenants—Limitation on Indebtedness") and the Incurrence of Liens (as described below under "Certain covenants—Limitation on Liens") and the provisions described below under "Additional Senior Subordinated Notes". Unless the context otherwise requires, in this Description of the Senior Subordinated Notes, references to the "Senior Subordinated Notes" include the Senior Subordinated Notes and any Additional Senior Subordinated Notes that are actually issued. The terms of the Senior Subordinated Notes include those set forth in the Senior Subordinated Notes Indenture. The Senior Subordinated Notes Indenture will not be qualified under, or incorporate or include any of the provisions of, or be subject to, the U.S. Trust Indenture Act of 1939, as amended.

This Description of the Senior Subordinated Notes is intended to be an overview of the material provisions of the Senior Subordinated Notes and the Senior Subordinated Notes Indenture. Since the following description is only a summary, you should refer to the Senior Subordinated Notes Indenture, the form of Senior Subordinated Notes and the New Intercreditor Agreement for complete descriptions of the obligations of the Issuer and the Senior Subordinated Notes Guarantors and your rights because they, and not this summary, define your rights as Holders of the Senior Subordinated Notes. Copies of the Senior Subordinated Notes Indenture, form of Senior Subordinated Notes and the New Intercreditor Agreement are available as set forth under "Listing and General Information".

The registered Holder of a Senior Subordinated Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Senior Subordinated Notes Indenture.

### GENERAL

#### The Senior Subordinated Notes

The Senior Subordinated Notes will, upon issuance:

- be general senior subordinated obligations of the Issuer;
- be guaranteed on a subordinated basis by the Senior Subordinated Notes Guarantors, subject to the limitations described in "Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests";
- be secured on second-priority basis as set forth below under "—Security";
- be contractually subordinated in right of payment to any existing and future senior indebtedness of the Issuer, including the Issuer's obligations under the Senior Secured Notes, the New Revolving Credit Facility and certain Hedging Obligations, if any;
- rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer (other than Senior Indebtedness) that is not expressly subordinated in right of payment to the Senior Subordinated Notes;
- be structurally subordinated to any existing and future indebtedness of Subsidiaries of the Issuer that are not Senior Subordinated Notes Guarantors and existing and future of

indebtedness of Senior Subordinated Notes Guarantors in excess of the principal amount of Senior Subordinated Notes guaranteed by such Senior Subordinated Notes Guarantors, including obligations owed to trade creditors and bilateral facilities and, to the extent drawings are borrowed by such non-Senior Subordinated Notes Guarantor subsidiaries, obligations under the New Revolving Credit Facility; and

- be effectively subordinated to any existing and future indebtedness of the Issuer that is secured by property or assets that do not secure the Senior Subordinated Notes or that secure the Senior Subordinated Notes on a junior ranking basis, to the extent of the value of such property and assets, including the Senior Subordinated Notes Collateral, which also secures the Senior Secured Notes, the New Revolving Credit Facility and certain Hedging Obligations, if any, on a first-ranking basis.

### **The Senior Subordinated Notes Guarantees**

The Senior Subordinated Notes will be guaranteed on a senior subordinated basis (the "*Senior Subordinated Notes Guarantees*") (i) on the Issue Date by 3AB Optique Développement and Alain Afflelou Franchiseur (the "*Issue Date Senior Subordinated Notes Guarantors*") and (ii) within 60 days of the Issue Date, by Alain Afflelou International, 3ABOE, LSFA and L'Opticien Afflelou (the "*Post-Issue Date Senior Subordinated Notes Guarantors*") and, together with the Issue Date Guarantors, the "*Senior Subordinated Notes Guarantors*").

Each Senior Subordinated Notes Guarantee of the Senior Subordinated Notes will, upon issuance:

- be a general senior subordinated obligation of the Senior Subordinated Notes Guarantor that granted such Senior Subordinated Notes Guarantee;
- be secured by second-priority liens on the Senior Subordinated Notes Collateral of that Senior Subordinated Notes Guarantor as described below under "*—Security*";
- rank *pari passu* in right of payment with any existing and future indebtedness of that Senior Subordinated Notes Guarantor (other than Senior Indebtedness) that is not subordinated in right of payment to its Senior Subordinated Notes Guarantee;
- be contractually subordinated in right of payment to any existing and future Senior Indebtedness of the Issuer, including that Senior Subordinated Notes Guarantor's obligations under the Senior Secured Notes, the New Revolving Credit Facility and certain Hedging Obligations, if any;
- be effectively subordinated to any existing and future indebtedness of that Senior Subordinated Notes Guarantor that is secured by property or assets of that Senior Subordinated Notes Guarantor, to the extent of the value of such property and assets that do not secure its Senior Subordinated Notes Guarantee or that secure the Senior Subordinated Notes Guarantee on a junior ranking basis, including the Senior Subordinated Notes Collateral, which also secures the Senior Secured Notes, the New Revolving Credit Facility and certain hedging obligations, if any, on a first-ranking basis and the equipment and other assets securing that Senior Subordinated Notes Guarantor's lease obligations; and
- be structurally subordinated to any existing and future indebtedness of Subsidiaries of that Senior Subordinated Notes Guarantor (other than Subsidiaries that are or that become Senior Subordinated Notes Guarantors), including obligations owed to trade creditors, bilateral facilities and, to the extent drawings are borrowed by such non-Senior Subordinated Notes Guarantor's subsidiaries, obligations under the New Revolving Credit Facility.

The obligations of the Senior Subordinated Notes Guarantors will be contractually limited under the Senior Subordinated Notes Guarantees to reflect limitations under applicable law. See "*Risk Factors—Risks Related to the Senior Subordinated Notes—Pursuant to the subordination provisions in the New Intercreditor Agreement, there is doubt as to the ability of holders of Senior Subordinated Notes to recover in relation to an enforcement action premised on the Senior Subordinated Guarantees*" and "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—Corporate benefit, financial assistance laws and other limitations on the Guarantees or the security interests may adversely affect the validity and enforceability of the Guarantees of the Notes or security interests in the Collateral*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*". In particular, the Senior Subordinated Notes Guarantee of the Senior Subordinated Notes Guarantors incorporated in France will be limited to the outstanding

amounts under the proceeds loans extended, directly or indirectly, to the relevant Senior Subordinated Notes Guarantor using the proceeds of the Senior Subordinated Notes. Only 3AB Optique Développement, Alain Afflelou Franchiseur and L'Opticien Afflelou will receive proceeds of the Senior Subordinated Notes, and these proceeds loans will represent only a portion of the aggregate principal amount of the Senior Subordinated Notes. In addition, any claim under a Senior Subordinated Notes Guarantor's guarantee of the Senior Secured Notes will reduce that Senior Subordinated Notes Guarantor's Senior Subordinated Notes Guarantee by the same amount. In certain cases, these limitations may apply to the Senior Subordinated Notes Guarantees, but not the Senior Subordinated Notes Guarantors' obligations under other debt, including the New Revolving Credit Facility. For the twelve months ended January 31, 2021, the Issuer and the Senior Subordinated Notes Guarantors generated 75.5% of our revenue, 89.5% of our Adjusted EBITDA and as of January 31, 2021, constituted 89.4% of our total assets (in each case gross of intercompany balances and consolidation eliminations).

Pursuant to the New Intercreditor Agreement, after an acceleration event in respect of the Senior Subordinated Notes, the New Revolving Credit Facility or other debt subject to the New Intercreditor Agreement, neither the Issuer nor the Senior Subordinated Notes Guarantors may make payments in respect of the Senior Subordinated Notes or the Senior Subordinated Notes Guarantees except in connection with the realization or enforcement of the Senior Subordinated Notes Collateral or a transaction in lieu of such enforcement or all amounts turned over to the Security Agent as described under "*Description of Certain Other Indebtedness and Other Arrangements—New Intercreditor Agreement*", in which case such payments will be applied in respect of the Senior Secured Notes, the New Revolving Credit Facility Agreement, certain Hedging Obligations, if any, and certain other future indebtedness until such obligations are repaid in full prior to the repayment of the Senior Subordinated Notes. See "*Description of Certain Other Indebtedness and Other Arrangements—New Intercreditor Agreement*".

### **Principal and maturity**

The Issuer will issue €75.0 million aggregate principal amount of Senior Subordinated Notes on the Issue Date. The Senior Subordinated Notes will mature on \_\_\_\_\_, 2027. The Senior Subordinated Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

### **Interest**

#### *Interest on the Senior Subordinated Notes*

Interest on the Senior Subordinated Notes will accrue at a rate per annum (the "*Applicable Rate*"), reset quarterly, equal to three-month EURIBOR (subject to a 0% floor) *plus* \_\_\_\_\_ basis points, as determined by the calculation agent (the "*Calculation Agent*"), which shall initially be Elavon Financial Services DAC. Interest on the Senior Subordinated Notes will:

accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid;

be payable in cash quarterly in arrears on each \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_, commencing on \_\_\_\_\_, 2021;

be payable to the Holder of record of such Senior Subordinated Notes on the Business Day immediately preceding the related interest payment date (except for Definitive Registered Notes, if any are issued under the Senior Subordinated Notes Indenture, which will have a record date of 15 days prior to any interest payment date as further described under "*—Transfer and Exchange*"); and

be computed on the basis of a 360-day year and the actual number of days elapsed in the Interest Period.

Set forth below is a summary of certain of the provisions from the Senior Subordinated Notes Indenture relating to the calculation of interest on the Senior Subordinated Notes.

The Calculation Agent shall, as soon as practicable after 11:00 a.m. (Brussels time) on each Interest Calculation Date, determine the Applicable Rate and calculate the aggregate amount of interest payable on the Senior Subordinated Notes in respect of the following Interest Period (the "*Interest Amount*") and notify the Issuer in writing thereof. The Interest Amount shall be calculated by applying the Applicable Rate to the principal amount of the Senior Subordinated

Notes outstanding on the Interest Calculation Date, multiplying each such amount by the actual number of days in the Interest Period concerned divided by 360; provided, however, that interest shall only be paid in respect of Senior Subordinated Notes outstanding on the applicable interest payment date. All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one millionths of a percentage point being rounded upwards (e.g., 4.876545% (or .04876545) being rounded to 4.87655% (or .0487655)). All euro amounts used in or resulting from such calculations will be rounded to the nearest euro cent (with one half euro cent being rounded upwards). The determination of the Applicable Rate and the Interest Amount by the Calculation Agent shall, in the absence of willful default, fraud or manifest error, be final and binding on all parties. The Trustee and any Paying Agent shall not be responsible for, nor incur any liability in connection with, any loss resulting from any calculation made, or intended to be made, by the Calculation Agent.

As used herein:

*“Calculation Agent”* means a financial institution appointed by the Issuer to calculate the interest rate payable on the Senior Subordinated Notes in respect of each Interest Period, which shall initially be Elavon Financial Services DAC.

*“EURIBOR”* means, with respect to an Interest Period, the rate (expressed as a percentage per annum) for deposits in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Interest Calculation Date that appears on Reuters page EURIBOR01 as of 11:00 a.m. (Brussels time) on the Interest Calculation Date; provided, however, that EURIBOR shall never be less than 0%. If Reuters Page EURIBOR01 does not include such a rate or is unavailable on an Interest Calculation Date, the Issuer or an agent of the Issuer will request the principal London office of each of four major banks in the euro zone inter-bank market, as selected by the Issuer or an agent of the Issuer, to provide such bank's offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m. (Brussels time) on such Interest Calculation Date, to prime banks in the euro zone inter-bank market for deposits in a Representative Amount in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Interest Calculation Date. If at least two such offered quotations are so provided, EURIBOR for such Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Issuer or an agent of the Issuer will request each of three major banks in London, as selected by the Issuer or an agent of the Issuer, to provide such bank's rate (expressed as a percentage per annum), as of approximately 11:00 a.m. (Brussels time) on such Interest Calculation Date, for loans in a Representative Amount in euro to leading European banks for a three-month period beginning on the day that is two TARGET Settlement Days after the Interest Calculation Date. If at least two such rates are so provided, EURIBOR for such Interest Period will be the arithmetic mean of such rates. If fewer than two such rates are so provided, then EURIBOR in respect of such Interest Period will be the EURIBOR in effect with respect to the immediately preceding Interest Period.

If the Issuer determines, prior to any Interest Calculation Date, that:

- (1) there has been a material disruption to EURIBOR;
- (2) EURIBOR is not available for use temporarily, indefinitely or permanently;
- (3) there are restrictions or prohibitions on the use of EURIBOR;
- (4) an alternative rate has replaced EURIBOR in customary market practice in the international capital markets applicable generally to floating rate notes; or
- (5) it has become unlawful for the Calculation Agent, the Issuer or a third party agent of the Issuer to calculate any payments due to Holders using EURIBOR,

a Rate Determination Agent, acting in good faith and in a commercially reasonable manner, shall select a successor rate to EURIBOR that is substantially comparable to EURIBOR or that has been recommended or selected by the relevant monetary authority or similar authority (or working group thereof) or by a widely recognized industry association or body or that is expected to develop as an industry accepted rate for debt market instruments such as or comparable to the Senior Subordinated Notes (and any applicable adjustment spread required to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic

prejudice or benefit (as the case may be) to Holders as a result of the replacement of EURIBOR (the “*Adjustment Spread*”) for use in calculating the Applicable Rate (the “*Successor Rate*”), and the Issuer shall certify (by way of an Officer’s Certificate) to each of the Trustee, the Calculation Agent and the Paying Agents, at least five Business Days prior to any Interest Calculation Date, such Successor Rate (and the Adjustment Spread) (upon which each of the Trustee, the Calculation Agent and Paying Agent shall be entitled to rely conclusively and absolutely without further enquiry, investigation, verification or liability of any kind whatsoever), which shall be used by the Calculation Agent to calculate the Applicable Rate. Holders shall be bound by any such Successor Rate (and Adjustment Spread) without any further action or consent by the Holders or the Trustee. For the avoidance of doubt, the sum of the Successor Rate and the Adjustment Spread shall, in all cases, not be less than 0%. The Issuer shall promptly notify the Holders of the adoption of any Successor Rate (and Adjustment Spread). Following the adoption of any Successor Rate and Adjustment Spread, all references to “EURIBOR” in the Senior Subordinated Notes Indenture shall be deemed to refer to such Successor Rate (and such Adjustment Spread).

“*euro zone*” means the region comprised of member states of the European Union that at such time use the euro as their official currency.

“*Interest Calculation Date*” means the day that is two TARGET Settlement Days preceding the first day of the relevant Interest Period in respect of the relevant Interest Period.

“*Interest Period*” means the period commencing on and including an interest payment date and ending on and including the day immediately preceding the next succeeding interest payment date, with the exception that the first Interest Period shall commence on and include the Issue Date and end on and exclude , 2021.

“*Rate Determination Agent*” means (a) an independent financial institution of international standing or an independent financial adviser of recognized standing (that is not an Affiliate of the Issuer) as appointed by the Issuer at the expense of the Issuer or (b) if it is not reasonably practicable to appoint a party as referred to under (a), the Issuer.

“*Representative Amount*” means the greater of (i) €1,000,000 and (ii) an amount that is representative for a single transaction in the relevant market at the relevant time.

“*Reuters Page EURIBOR01*” means the display page so designated on Reuters (or such other page as may replace that page on that service, or, if no such page is available, such other service as may be nominated as the information vendor).

“*TARGET Settlement Day*” means any day on which the Trans-European Automated Real Time Gross Settlement Express Transfer (TARGET2) System is open for the settlement of payments in euro.

#### *Payments of Interest on the Senior Subordinated Notes*

The rights of Holders of beneficial interests in the Senior Subordinated Notes to receive the payments of interest on such Senior Subordinated Notes are subject to applicable procedures of Euroclear Bank SA/NV (“*Euroclear*”) and Clearstream Banking S.A. (“*Clearstream*”). If the due date for any payment in respect of any Senior Subordinated Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

#### **Methods of receiving payments on the Senior Subordinated Notes**

Principal, interest and premium, if any, on the Global Notes will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to Senior Subordinated Notes represented by one or more Global Notes registered in the name of or held by a nominee of Euroclear or Clearstream, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, interest and premium, if any, on any certificated securities (“*Definitive Registered Notes*”) will be payable at the specified office or agency of one or more Paying Agents in the United Kingdom. In addition, interest on the Definitive Registered Notes may be paid by check mailed to the Person entitled thereto as shown on the register for the Definitive Registered Notes. See “—*Paying Agent and Registrar for the Senior Subordinated Notes*”.

## **Paying Agent and Registrar for the Senior Subordinated Notes**

The Issuer will maintain one or more Paying Agents for the Senior Subordinated Notes, including in the United Kingdom. The initial Paying Agent will be Elavon Financial Services DAC.

The Issuer will also maintain one or more registrars (each, a "*Registrar*") with offices in Ireland. The initial Registrar will be Elavon Financial Services DAC. The initial transfer agent will be Elavon Financial Services DAC. The Registrar and the transfer agent will maintain a register reflecting ownership of Definitive Registered Notes, if issued, outstanding from time to time and will make payments on and facilitate transfers of Definitive Registered Notes on behalf of the Issuer. Upon demand by the Issuer, the Registrar shall (at the expense of the Issuer) send a copy of the register reflecting ownership of Definitive Registered Notes outstanding from time to time maintained by it to the Issuer and the Issuer shall keep such copy of the register at its registered office.

The Issuer may change the Paying Agents, the Registrars or the transfer agents without prior notice to the Holders. For so long as the Senior Subordinated Notes are listed on the Official List of Euronext Dublin and admitted for trading on the Global Exchange Market and the rules of Euronext Dublin so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or transfer agent in a newspaper having a general circulation in Ireland (which is expected to be *The Irish Times*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of Euronext Dublin (<https://www.euronext.com/en/markets/dublin>).

## **Transfer and exchange**

The Senior Subordinated Notes will be issued in the form of one or more registered notes in global form without interest coupons attached, as follows:

Senior Subordinated 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.

Senior Subordinated 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 and/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 Senior Subordinated Notes Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Regulation S Book-Entry Interests may be transferred to a Person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Senior Subordinated Notes Indenture) to the effect that such transfer is being made to a Person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer restrictions*" and in accordance with any applicable securities law of any other jurisdiction.



Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Senior Subordinated Notes 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 Senior Subordinated Notes Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Transfer restrictions*".

Subject to the restrictions on transfer referred to above, Senior Subordinated 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 to Persons who take delivery thereof in the form of Definitive Registered Notes. In connection with any such transfer or exchange, the Senior Subordinated Notes 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 or exchange.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Senior Subordinated Notes:

- (1) for a period of 15 days prior to any date fixed for the redemption of the Senior Subordinated Notes;
- (2) for a period of 15 days immediately prior to the date fixed for selection of Senior Subordinated Notes to be redeemed in part;
- (3) for a period of 15 days prior to the record date with respect to any interest payment date; or
- (4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Senior Subordinated Notes Trustee, the Paying Agent, the Security Agent, the Registrar and any transfer agent will be entitled to treat the registered Holder of a Senior Subordinated Note as the owner of it for all purposes.

To the extent Definitive Registered Notes have been issued, the Issuer will make each interest payment to the Holders of record of such Definitive Registered Notes on the date that is 15 days prior to any such interest payment date.

#### **ADDITIONAL SENIOR SUBORDINATED NOTES**

From time to time, subject to the Issuer's compliance with the covenants described under the headings "*Certain covenants—Limitation on Indebtedness*" and "*Certain covenants—Limitation on Liens*", the Issuer is permitted to issue additional Senior Subordinated Notes ("*Additional Senior Subordinated Notes*"), which shall have the terms set out in an Officer's Certificate supplied to the Senior Subordinated Notes Trustee. Such Additional Senior Subordinated Notes will be treated, along with all other series of Senior Subordinated Notes, as a single class for the purposes of the Senior Subordinated Notes Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for such series; *provided* that Additional Senior Subordinated Notes will not be issued with the same CUSIP, ISIN or common code, as applicable, as existing Senior Subordinated Notes unless such Additional Senior Subordinated Notes are fungible with the existing Senior Subordinated Notes for U.S. federal income tax purposes. In the Issuer's sole discretion, the aforementioned Officer's Certificate may include provisions pertaining to the redemption of such Additional Senior Subordinated Notes, in whole or in part, including, but not limited to, any special mandatory redemption in the event that the release from any escrow into which proceeds of the issuance of such Additional Senior

Subordinated Notes are deposited is conditioned on the consummation of any acquisition, Investment, refinancing or other transaction (such redemption, a "*Special Mandatory Redemption*"). In addition, such Officer's Certificate may include provisions pursuant to which such Additional Senior Subordinated Notes are issued bearing a temporary CUSIP, ISIN or common code pending the satisfaction of certain conditions, such as the consummation of an acquisition, and such Additional Senior Subordinated Notes bearing a temporary CUSIP, ISIN or common code may be automatically exchanged for new Additional Senior Subordinated Notes bearing the same ISIN or common code as the Senior Subordinated Notes issued on the Issue Date; *provided* that such Additional Senior Subordinated Notes are fungible with the Senior Subordinated Notes issued on the relevant issue date for U.S. federal income tax purposes. Unless the context otherwise requires, for all purposes of the Senior Subordinated Notes Indenture and this Description of the Senior Subordinated Notes, references to "Senior Subordinated Notes" shall be deemed to include references to the Senior Subordinated Notes initially issued on the Issue Date as well as any Additional Senior Subordinated Notes.

#### **RESTRICTED SUBSIDIARIES AND UNRESTRICTED SUBSIDIARIES**

On the Issue Date, all of the Issuer's direct and indirect Subsidiaries will be Restricted Subsidiaries. In the circumstances described below under "*Certain definitions—Unrestricted Subsidiary*", the Issuer will be permitted to designate Restricted Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants contained in the Senior Subordinated Notes Indenture. Unrestricted Subsidiaries will not Guarantee the Senior Subordinated Notes.

#### **SENIOR SUBORDINATED NOTES GUARANTEES**

##### **General**

The Senior Subordinated Notes will be Guaranteed by each Senior Subordinated Notes Guarantor. These Senior Subordinated Notes Guarantees will be joint and several obligations of the Senior Subordinated Notes Guarantors. Each Senior Subordinated Notes Guarantee is a full and unconditional Guarantee of the Issuer's obligations under the Senior Subordinated Notes, subject to the contractual limitations discussed below.

The obligations of the Senior Subordinated Notes Guarantors will be contractually limited under the applicable Senior Subordinated Notes Guarantees to reflect limitations under applicable law and the Agreed Security Principles with respect to, among other things, maintenance of share capital, corporate benefit, fraudulent preference or conveyance and other legal restrictions applicable to the Senior Subordinated Notes Guarantors and their respective shareholders, directors and general partners. For a description of such contractual limitations, see "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*".

Not all of the Issuer's Subsidiaries will Guarantee the Senior Subordinated Notes. In the event of a bankruptcy, liquidation, winding up or reorganization of any of these non-Senior Subordinated Notes Guarantor Subsidiaries, the non-Senior Subordinated Notes 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.

As the Issuer has limited assets of its own other than its shares in its Subsidiaries, the Issuer is dependent upon its Subsidiaries for cash to service interest, principal and other payments on the Senior Subordinated Notes. The operations of the Issuer are conducted primarily through its Subsidiaries and therefore the Issuer depends on the cash flow of such Subsidiaries to possess adequate cash to ensure it can meet its obligations under the Senior Subordinated Notes. The Senior Subordinated Notes and the Senior Subordinated Notes Guarantees will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of the Issuer's non-Senior Subordinated Notes Guarantor Subsidiaries. Any right of the Issuer or any Senior Subordinated Notes Guarantor to receive assets of any of its non-Senior Subordinated Notes Guarantor Subsidiaries upon that non-Senior Subordinated Notes Guarantor Subsidiary's liquidation, winding up or reorganization (and the consequent right of the Holders of the Senior Subordinated Notes to participate in those assets) will be effectively subordinated to the claims of that non-Senior Subordinated Notes Guarantor Subsidiary's creditors, except to the extent that the Issuer or such Senior Subordinated Notes Guarantor is itself recognized as a creditor of the non-Senior Subordinated Notes Guarantor Subsidiary, in which case the claims of the Issuer or such Senior Subordinated Notes Guarantor, as the case may be, would still be subordinated in right of payment to any security in the assets of the non-Senior Subordinated Notes Guarantor Subsidiary and any Indebtedness of the non-Senior Subordinated Notes Guarantor Subsidiary senior to that held by the Issuer or such Senior

Subordinated Notes Guarantor. See *"Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The Notes will be structurally subordinated to the liabilities of the Issuer's non-guarantor subsidiaries"*.

### **Subsequent Senior Subordinated Notes Guarantees**

The Issuer may from time to time designate a Restricted Subsidiary as an additional guarantor of the Senior Subordinated Notes (an *"Additional Senior Subordinated Notes Guarantor"*) by causing it to execute and deliver to the Senior Subordinated Notes Trustee a supplemental indenture in the form attached to the Senior Subordinated Notes Indenture, pursuant to which such Restricted Subsidiary will become a Senior Subordinated Notes Guarantor.

Each Additional Senior Subordinated Notes Guarantor will, jointly and severally with the Senior Subordinated Notes Guarantors and each other Additional Senior Subordinated Notes Guarantor, irrevocably Guarantee (each Guarantee, an *"Additional Senior Subordinated Notes Guarantee"*), as primary obligor and not merely as surety, on a senior subordinated basis the full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all payment obligations of the Issuer under the Senior Subordinated Notes Indenture and the Senior Subordinated Notes, whether for payment of principal of, or interest on or in respect of, the Senior Subordinated Notes, fees, expenses, indemnification or otherwise. The obligations of any Additional Senior Subordinated Notes Guarantor will be contractually limited under its Additional Senior Subordinated Notes Guarantee to reflect limitations under applicable law and the Agreed Security Principles, including restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory or other legal limitations or requirements, financial assistance, corporate benefit, fraudulent preference, "thin capitalization" rules, maintenance of share capital, retention of title claims and similar principles applicable to such Additional Senior Subordinated Notes Guarantor and its shareholders, directors and general partner. Any Additional Senior Subordinated Notes Guarantee shall be issued on substantially the same terms as the Senior Subordinated Notes Guarantees (subject to the foregoing contractual limitations). For purposes of the Senior Subordinated Notes Indenture and this Description of the Senior Subordinated Notes, references to the Senior Subordinated Notes Guarantees include references to any Additional Senior Subordinated Notes Guarantees and references to the Senior Subordinated Notes Guarantors include references to any Additional Senior Subordinated Notes Guarantors.

### **Releases**

Each Senior Subordinated Notes Guarantee (except for the Senior Subordinated Notes Guarantee of 3AB Optique Développement) will be released:

- (1) upon a sale or other disposition (including by way of consolidation or merger) of Capital Stock of the relevant Senior Subordinated Notes Guarantor (whether by direct sale or sale of a holding company) to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition does not violate the *"—Limitation on sales of assets and subsidiary stock"* covenant below and such that the relevant Senior Subordinated Notes Guarantor no longer remains a Restricted Subsidiary;
- (2) in connection with any sale, disposition, exchange or other transfer of all or substantially all of the assets of such Senior Subordinated Notes Guarantor (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition does not violate the *"—Limitation on sales of assets and subsidiary stock"* covenant below;
- (3) upon the designation in accordance with the Senior Subordinated Notes Indenture of such Senior Subordinated Notes Guarantor as an Unrestricted Subsidiary;
- (4) upon defeasance or discharge of the Senior Subordinated Notes, as provided in *"—Defeasance"* and *"—Satisfaction and discharge"*;
- (5) in accordance with the provisions of the New Intercreditor Agreement or an Additional Intercreditor Agreement relating to the release of a Senior Subordinated Notes Guarantee on an enforcement sale or other disposal of such Senior Subordinated Notes Guarantor;
- (6) as described under *"—Amendments and waivers"*;
- (7) with respect to an Additional Senior Subordinated Notes Guarantee given under the *"—Additional Senior Subordinated Notes Guarantees"* covenant below, upon release of the Senior Subordinated Notes Guarantee that gave rise to the requirement to issue such Additional Senior

Subordinated Notes Guarantee so long as no Event of Default would arise as a result and no other Indebtedness that would give rise to an obligation to give an Additional Senior Subordinated Notes Guarantee is at that time Guaranteed by the relevant Senior Subordinated Notes Guarantor;

- (8) with respect to any Senior Subordinated Notes Guarantor which is not the continuing or surviving Person in the relevant consolidation or merger, as a result of a Permitted Reorganization or a transaction permitted by the "*—Merger and consolidation—The Senior Subordinated Notes Guarantors*" covenant below and the Senior Subordinated Notes Indenture; or
- (9) upon the full and final payment and performance of all obligations of the Issuer and the Senior Subordinated Notes Guarantors under the Senior Subordinated Notes Indenture and the Senior Subordinated Notes.

The Senior Subordinated Notes Guarantee of 3AB Optique Développement will be released upon the occurrence of any event described in clauses (4), (5), (6), (8) or (9) above.

The Senior Subordinated Notes Trustee and the Security Agent (as applicable) shall, subject to receipt of certain documents from the Issuer and/or Senior Subordinated Notes Guarantors, and subject to the terms of the New Intercreditor Agreement, each take all necessary actions reasonably requested by the Issuer, including the granting of releases or waivers under the New Intercreditor Agreement, to effectuate any release of a Senior Subordinated Notes Guarantee of a Senior Subordinated Notes Guarantor in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Senior Subordinated Notes Trustee without the consent of the Holders or any action on the part of the Senior Subordinated Notes Trustee. Neither the Senior Subordinated Notes Trustee nor the Issuer will be required to make a notation on the Senior Subordinated Notes to reflect any such release, termination or discharge.

## **SECURITY**

### **General**

The Senior Subordinated Notes and the Senior Subordinated Notes Guarantees will be secured by shared second-ranking security interests (A) as of the Issue Date, over collateral consisting of (i) pledges of certain securities accounts relating to all securities issued by or held in 3AB Optique Développement, Alain Afflelou Franchiseur, L'Opticien Afflelou, 3ABOE and Lion / Seneca France Audio, (ii) pledges of certain bank accounts of the Issuer and the Issue Date Senior Subordinated Notes Guarantors and (iii) pledges of certain intercompany receivables owed to the Issuer and the Issue Date Senior Subordinated Notes Guarantors (collectively, the "*Issue Date Senior Subordinated Notes Collateral*") and (B) within 60 days of the Issue Date, over collateral consisting of (i) all shares issued by or held in Alain Afflelou International and (ii) pledges of certain bank accounts of the Post-Issue Date Senior Subordinated Notes Guarantors (collectively, the "*Post-Issue Date Senior Subordinated Notes Collateral*" and, together with the Issue Date Senior Subordinated Notes Collateral, the "*Senior Subordinated Notes Collateral*"), along with obligations under the Senior Secured Notes, the New Revolving Credit Facility and, if any, certain Hedging Obligations. However, pursuant to the New Intercreditor Agreement, Holders of the Senior Subordinated Notes will receive proceeds from enforcement of the Senior Subordinated Notes Collateral and certain distressed disposals only after the lenders under the New Revolving Credit Facility and, if any, counterparties to certain Hedging Obligations, the holders of the Senior Secured Notes and the holders of any other Indebtedness permitted to be incurred and secured by the Senior Subordinated Notes Collateral on a senior priority basis to the Senior Subordinated Notes pursuant to the Senior Subordinated Notes Indenture, the New Intercreditor Agreement and any Additional Intercreditor Agreement have been repaid in full.

The liens on the Senior Subordinated Notes Collateral to secure the Senior Subordinated Notes and the Senior Subordinated Notes Guarantees are referred to herein collectively as the "*Security Interest*". Any other property or assets over which Security Interest may in the future be granted to secure obligations under the Senior Subordinated Notes and the Senior Subordinated Notes Indenture would also constitute "Senior Subordinated Notes Collateral".

The Senior Subordinated Notes Collateral will be contractually limited to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, fraudulent preference or conveyance and other legal restrictions applicable to security providers and their shareholders, directors and general partners. For a description of such contractual limitations, see "*Certain Insolvency Law*".

*Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests*". The grant and control of the security will also be subject to certain Agreed Security Principles. The Agreed Security Principles provide that certain assets will not be pledged (or the Liens not perfected), including:

- if the cost of providing security is not proportionate to the benefit accruing to the Holders;
- if there is material incremental cost involved in creating security over all assets of a Senior Subordinated Notes Guarantor in a particular category of assets, only the material assets in that category will be subject to security;
- if providing such security would require consent of any person, subject to certain obligations to take steps to obtain such consent before such assets may be secured or where providing such security would give a third party the right to terminate or otherwise amend to the material detriment of the Issuer or any of the Issuer's Subsidiaries in respect of those assets or require any of them to take any action materially adverse to their interests and where (subject to certain conditions being met) such consent cannot be obtained after the use of reasonable endeavors;
- if providing such security (i) would be prohibited by statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, transfer pricing rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction (after the use of reasonable endeavors to overcome the relevant legal limitation, if possible), (ii) would be outside the applicable pledgor's capacity or conflict with its fiduciary duties, or (iii) could result in any risk or liability for the officers, directors or shareholders;
- if in certain jurisdictions it may be either impossible or impractical to create security over certain categories of assets, security will not be taken over such assets; and
- no perfection action will be required in jurisdictions where a Senior Subordinated Notes Guarantor is not located but perfection action may be required in the jurisdiction of one Senior Subordinated Notes Guarantor in relation to security granted by another Senior Subordinated Notes Guarantor located in a different jurisdiction and (where otherwise consistent with the Agreed Security Principles) in any supranational registries agreed between the Issuer and the Security Agent from time to time.

The Agreed Security Principles with respect to the Senior Subordinated Notes will be interpreted and applied in good faith by the Issuer.

The Liens securing the Senior Subordinated Notes and the Senior Subordinated Notes Guarantees will also secure the obligations of the Issuer and the Senior Subordinated Notes Guarantors under the Senior Secured Notes, the New Revolving Credit Facility, certain Hedging Obligations, if any, and certain other future Indebtedness; *provided, however*, that Holders of the Senior Subordinated Notes will receive proceeds from enforcement of the Senior Subordinated Notes Collateral and certain distressed disposals only after the lenders under the New Revolving Credit Facility and, if any, counterparties to certain Hedging Obligations, the holders of the Senior Secured Notes and the holders of any other Indebtedness permitted to be incurred and secured by the Senior Subordinated Notes Collateral on a senior priority basis to the Senior Subordinated Notes pursuant to the Senior Subordinated Notes Indenture, the New Intercreditor Agreement and any Additional Intercreditor Agreement have been repaid in full. Furthermore, pursuant to the New Intercreditor Agreement, the Senior Subordinated Notes will be subject to certain payment blockage, standstill and turnover provisions. In addition, subject to certain conditions, including compliance with the "*—Impairment of Security Interest*" covenant below, each of the Issuer and the Senior Subordinated Notes Guarantors is permitted to pledge the Senior Subordinated Notes Collateral in connection with future Incurrences of Indebtedness, including any Additional Senior Subordinated Notes, in each case, permitted under the Senior Subordinated Notes Indenture and other Indebtedness of members of the Group and on terms consistent with the relative priority in right of payment of such Indebtedness under the Senior Subordinated Notes Indenture and the New Intercreditor Agreement.

In addition to the release provisions described below, the Security Interest will cease to exist by operation of law or will be released, depending on the type of security interest, upon the defeasance or discharge of the Senior Subordinated Notes as provided in "*—Defeasance*" or "*—Satisfaction and discharge*", in each case in accordance with the terms and conditions of the Senior Subordinated Notes Indenture.

There can be no assurance that the proceeds from the sale of the Senior Subordinated Notes Collateral would be sufficient to satisfy the obligations owed to the Holders, and the Senior Subordinated Notes Collateral securing the Senior Subordinated Notes and the Senior Subordinated Notes Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional Senior Subordinated Notes and the disposition of assets comprising the Senior Subordinated Notes Collateral, subject to the terms of the Senior Subordinated Notes Indenture. No appraisals of the Senior Subordinated Notes Collateral have been made in connection with this offering of the Senior Subordinated Notes. By its nature, some or all of the Senior Subordinated Notes Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Senior Subordinated Notes Collateral may not be able to be sold in a short period of time, or at all. See *"Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The value of the Collateral securing the Notes may not be sufficient to satisfy our obligations under the Notes and such Collateral may be reduced or diluted under certain circumstances"* and *"Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—It may be difficult to realize the value of the Collateral securing the Notes"*. In addition, the New Intercreditor Agreement places limitations on the ability of the Security Agent to release the Security Interest, by reference to the interests of other creditors. These limitations may include requirements that some or all of the Senior Subordinated Notes Collateral be disposed of only pursuant to public auctions or only at a price confirmed by a valuation. See *"Description of Certain Other Indebtedness and Other Arrangements—New Intercreditor Agreement"*.

Subject to the terms of the Security Documents and prior to enforcement of any such Senior Subordinated Notes Collateral, the Issuer and the Senior Subordinated Notes Guarantors, as the case may be, will have the right to remain in possession and retain exclusive control of the Senior Subordinated Notes Collateral securing the Senior Subordinated Notes and the Senior Subordinated Notes Guarantees, to freely operate the Senior Subordinated Notes Collateral and to collect, invest and dispose of any income therefrom and, in respect of the shares that are part of the Senior Subordinated Notes Collateral, will be entitled to exercise any and all voting rights and to receive and retain any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares of stock resulting from stock splits or reclassifications, rights issue, warrants, options and other distributions (whether similar or dissimilar to the foregoing).

The creditors under the New Revolving Credit Facility, the counterparties to the Hedging Obligations secured by the Senior Subordinated Notes Collateral, if any, the trustee under the indenture governing the Senior Secured Notes and the Senior Subordinated Notes Trustee have, and by accepting a Senior Subordinated Note, each Holder will be deemed to have, irrevocably appointed the Security Agent to act as its agent and security agent under the New Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents. The creditors under the New Revolving Credit Facility, the counterparties to the Hedging Obligations secured by the Senior Subordinated Notes Collateral, if any, the trustee under the indenture governing the Senior Secured Notes and the Senior Subordinated Notes Trustee have, and by accepting a Senior Subordinated Note, each Holder will be deemed to have, irrevocably authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the New Intercreditor Agreement or the Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

Further, the Senior Subordinated Notes Indenture will also provide that each Holder, by accepting a Senior Subordinated Note, shall be deemed to have agreed to and accepted the terms and conditions of the New Intercreditor Agreement and any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein). See *"Description of Certain Other Indebtedness and Other Arrangements—New Intercreditor Agreement"*.

### **Security Documents**

Under the Security Documents, the Issuer and the Senior Subordinated Notes Guarantors will grant security over the Senior Subordinated Notes Collateral to secure the obligations of the Issuer under the Senior Subordinated Notes and the Senior Subordinated Notes Indenture and the obligations of the Senior Subordinated Notes Guarantors under their respective Senior Subordinated Notes Guarantees and the Senior Subordinated Notes Indenture. The Security Documents will be entered into by, *inter alios*, the relevant security provider and the Security Agent.

The Security Agent will enter into the Security Documents in its own name for the benefit of the Senior Subordinated Notes Trustee and the Holders. The Security Agent will also act on behalf of the lenders

under the New Revolving Credit Facility and the counterparties under certain Hedging Obligations, if any, and the holders of the Senior Secured Notes issued pursuant to the Senior Secured Notes Indenture (as defined in "*Description of the Senior Secured Notes*") (who will each have prior-ranking security interests over the same Senior Subordinated Notes Collateral). The Security Agent will also act on behalf of certain future secured creditors.

The Security Documents provide that the rights with respect to the Senior Subordinated Notes Collateral must be exercised by the Security Agent or the parties to the Security Documents. Since the Holders are not a party to the Security Documents, Holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The Holders may only act through the Security Agent and only in compliance with the standstill provisions of the New Intercreditor Agreement..

The Security Agent will agree to any release of the Security Interest created by the Security Documents that is in accordance with the Senior Subordinated Notes Indenture and the New Intercreditor Agreement without requiring any consent of the Holders. See "*Release of Liens*" and "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantees will be released automatically and under which the Guarantees will be released automatically, without your consent or the consent of the Trustees*". In addition, the terms of the Security Documents themselves provide for assets to cease to become subject to security in certain circumstances without need for a formal release, such as the sale of assets which are subject to a charge, or the exclusion of certain assets from a debenture if such assets may not be subject to security (such as, for example, assets that may not be validly pledged, or assets that are subject to a Permitted Lien). The Security Agent will commence enforcement action under the Security Documents only in accordance with the terms of the New Intercreditor Agreement. See "*Enforcement of Security Interest*".

In the event that the Issuer or any of the Senior Subordinated Notes Guarantors enters into insolvency, bankruptcy, dissolution, *gestion controlée*, *liquidation judiciaire*, *faillite déclarée* or similar proceedings, the Security Interest created under the Security Documents or the rights and obligations enumerated in the New Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interest or the terms of the New Intercreditor Agreement were successful, the Holders might not be able to recover any amounts under the Security Documents. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—Corporate benefit, financial assistance laws and other limitations on the Guarantees or the security interests may adversely affect the validity and enforceability of the Guarantees of the Notes or security interests in the Collateral*".

## **Release of Liens**

The Issuer and the Senior Subordinated Notes Guarantors will be entitled, in addition to the circumstances described above, to require the Security Agent to release the Security Interest in respect of the Senior Subordinated Notes Collateral securing the Senior Subordinated Notes and the Senior Subordinated Notes Guarantees under any one or more of the following circumstances:

- (1) in the case of Senior Subordinated Notes Collateral owned by the Issuer or a Restricted Subsidiary of the Issuer, in connection with any sale or disposition of such property or assets to (a) any Person that is not the Issuer or a Restricted Subsidiary either before or after giving effect to such transaction, if such sale or other disposition does not violate the "*Limitation on sales of assets and subsidiary stock*" covenant below or (b) to the Issuer or any Senior Subordinated Notes Guarantor; *provided* that such transfer is otherwise in compliance with the Senior Subordinated Notes Indenture and, in the case of clause (b), immediately following such sale or disposition, a Lien of at least equivalent ranking over the same assets or property exists or is granted in favor of the Security Agent (on its own behalf and on behalf of the Senior Subordinated Notes Trustee for the Holders);
- (2) in connection with the release of a Senior Subordinated Notes Guarantor from its Senior Subordinated Notes Guarantee pursuant to the terms of the Senior Subordinated Notes Indenture, the release of the property and assets, and Capital Stock, of such Senior Subordinated Notes Guarantor;
- (3) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Senior Subordinated Notes Indenture, the release of the property, assets and Capital Stock of such Unrestricted Subsidiary;

- (4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Subordinated Notes Indenture, as provided in "*—Defeasance*" and "*—Satisfaction and discharge*";
- (5) in compliance with the provisions of the New Intercreditor Agreement or any Additional Intercreditor Agreement relating to disposals of assets subject to security (see "*Description of Certain Other Indebtedness and Other Arrangements—New Intercreditor Agreement*");
- (6) (i) in accordance with "*—Amendments and waivers*", (ii) in accordance with the "*—Impairment of Security Interest*" covenant below and (iii) in accordance with the second paragraph under the "*—Limitation on Liens*" covenant below so long as immediately after the release there is no other Indebtedness secured by a Lien on the property or assets that was the subject of the Initial Lien that would result in the requirement for the Senior Subordinated Notes and the Senior Subordinated Notes Guarantees to be secured equally and ratably with, or prior to, such Lien;
- (7) in order to effectuate a Permitted Reorganization or a merger, consolidation, conveyance or transfer conducted in compliance with the "*—Merger and consolidation*" covenant below; *provided* that following such Permitted Reorganization or merger, consolidation, conveyance or transfer, a Lien of at least equivalent ranking over the same assets or property is granted in favor of the Security Agent (on its own behalf and on behalf of the Senior Subordinated Notes Trustee for the Holders) to the extent such assets or property continue to exist as assets or property of the Issuer or a Restricted Subsidiary of the Issuer;
- (8) upon the full and final payment and performance of all obligations of the Issuer under the Senior Subordinated Notes Indenture and the Senior Subordinated Notes; or
- (9) as otherwise permitted in accordance with the Senior Subordinated Notes Indenture.

The Security Agent and the Senior Subordinated Notes Trustee (only if required) will take all necessary action reasonably requested by the Issuer required to effectuate any release of Senior Subordinated Notes Collateral securing the Senior Subordinated Notes and the Senior Subordinated Notes Guarantees, in accordance with the provisions of the Senior Subordinated Notes Indenture, the New Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Documents. Each of the releases set forth above shall be permitted to be effected by the Security Agent without the consent of the Holders or any action on the part of the Senior Subordinated Notes Trustee.

### **Enforcement of Security Interest**

The ability of the Security Agent to enforce any Security Interest is restricted by the terms of the New Intercreditor Agreement by reference to the interests of the lenders under the New Revolving Credit Facility and the counterparties to certain Hedging Obligations. See "*Description of Certain Other Indebtedness and Other Arrangements—New Intercreditor Agreement*". It may also be restricted by similar arrangements in relation to future Indebtedness that is secured by the Senior Subordinated Notes Collateral in compliance with the Senior Subordinated Notes Indenture and the New Intercreditor Agreement.

Similar provisions may be included in any Additional Intercreditor Agreement entered into in compliance with the "*—Additional Intercreditor Agreements*" covenant below.

To establish the relative rights of certain creditors of the Issuer and the Senior Subordinated Notes Guarantors under our financing arrangements, including, without limitation, the Senior Subordinated Notes, the Senior Secured Notes, the New Revolving Credit Facility and, if any, certain Hedging Obligations and certain other future Indebtedness, the Issuer and the Senior Subordinated Notes Guarantors, the agent under the New Revolving Credit Facility, the Senior Subordinated Notes Trustee, the trustee under the indenture governing the Senior Secured Notes and the Security Agent will enter into the New Intercreditor Agreement. See "*Description of Certain Other Indebtedness and Other Arrangements—New Intercreditor Agreement*". Pursuant to the terms of the New Intercreditor Agreement, any liabilities in respect of obligations under the New Revolving Credit Facility, the Senior Secured Notes, and, if any, certain Hedging Obligations and certain other future Indebtedness benefitting from Liens on the Senior Subordinated Notes Collateral that rank senior to the Liens on the Senior Subordinated Notes Collateral that secure the Senior Subordinated Notes will receive priority with respect to any proceeds received upon enforcement of any Senior Subordinated Notes Collateral and certain distressed disposals. Any proceeds received upon any enforcement over any Senior Subordinated Notes Collateral and certain distressed disposals, after all obligations under the Senior Secured Notes and the New Revolving Credit Facility have been repaid and such Hedging Obligations



and other obligations, if any, have been discharged from such recoveries, will be applied *pro rata* in repayment of all obligations under the Senior Subordinated Notes Indenture, the Senior Subordinated Notes and the Senior Subordinated Notes Guarantees and any other obligations of the Issuer and the Senior Subordinated Notes Guarantors permitted to be Incurred and secured by the Senior Subordinated Notes Collateral on a *pari passu* basis pursuant to the Senior Subordinated Notes Indenture and the New Intercreditor Agreement.

## Subordination

The Senior Subordinated Notes constitute senior subordinated indebtedness, which means that, pursuant to the terms of the New Intercreditor Agreement and the Senior Subordinated Notes Indenture, the Senior Subordinated Notes and the Senior Subordinated Notes Guarantees rank junior, and are expressly subordinated to, all the existing and future Senior Indebtedness of the Issuer and the Senior Subordinated Notes Guarantors, including any obligations under the New Revolving Credit Facility and the Senior Secured Notes and the Senior Secured Notes Guarantees.

Pursuant to the New Intercreditor Agreement, the ability to take enforcement action against the Issuer and the Senior Subordinated Notes Guarantors is subject to significant restrictions imposed by the New Intercreditor Agreement and any Additional Intercreditor Agreements entered into after the Issue Date. In addition, the Senior Subordinated Notes Indenture and the New Intercreditor Agreement permit the Issuer and its Restricted Subsidiaries to incur additional Indebtedness to which the Senior Subordinated Notes may be subordinated under the New Intercreditor Agreement. For a description of the restrictions imposed by the New Intercreditor Agreement, see *“Description of Other Indebtedness and Other Arrangements—New Intercreditor Agreement”* and *“Risk Factors—The rights to enforce remedies with respect to the Collateral securing the Senior Subordinated Notes and the Senior Subordinated Notes Guarantees are limited as long as any senior secured debt is outstanding”*.

In addition, the Senior Subordinated Notes Indenture will provide that the Senior Subordinated Notes may be subordinated to additional Senior Indebtedness, even with respect to creditors that have not entered into the New Intercreditor Agreement. See *“Risk Factors—Risks Related to the Senior Subordinated Notes—The Senior Subordinated Notes Indenture and New Intercreditor Agreement will contain provisions that subordinate our obligations under the Senior Subordinated Notes”*.

Because of the foregoing subordination provisions, it is likely that holders of Senior Indebtedness of the Issuer and the Senior Subordinated Notes Guarantors would recover disproportionately more than the holders of the Senior Subordinated Notes recover in any insolvency or similar proceeding relating to such entity. In any such case, there may be insufficient assets, or no assets, remaining to pay the principal of or interest on the Senior Subordinated Notes.

See also *“Description of Other Indebtedness and Other Arrangements—New Intercreditor Agreement”* elsewhere in this Offering Memorandum.

## OPTIONAL REDEMPTION

### Optional redemption of Senior Subordinated Notes

Except as described below and except as described under *“—Redemption for taxation reasons”*, the Senior Subordinated Notes are not redeemable until \_\_\_\_\_, 2023. On and after \_\_\_\_\_, 2023, the Issuer may redeem all or, from time to time, part of the Senior Subordinated Notes upon not less than 10 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of principal amount) *plus* accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on \_\_\_\_\_ for the years indicated below:

Year	Redemption Price
2023 .....	101.000%
2024 and thereafter .....	100.000%

In addition, prior to \_\_\_\_\_, 2023, the Issuer may redeem all or, from time to time, a part of the Senior Subordinated Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount thereof *plus* the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right

of Holders of record on the relevant record date to receive interest due on the relevant interest payment date). Any such redemption and notice may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

### **General**

The Issuer may repurchase Senior Subordinated Notes at any time and from time to time in the open market or otherwise.

Notice of redemption will be provided as set forth under "*—Selection and notice*" below.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Senior Subordinated Notes or portion thereof called for redemption on the applicable redemption date. Any such redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, such notice shall state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed; *provided* that in no case shall the notice have been delivered less than 10 days or more than 60 days prior to the date on which such redemption (if any) occurs. In addition, the Issuer may provide in such notice that payment of the redemption price and performance of the Issuer's obligations with respect to such redemption may be performed by another Person.

If the Issuer effects an optional redemption of the Senior Subordinated Notes, it will, for so long as the Senior Subordinated Notes are listed on the Official List of Euronext Dublin and admitted for trading on the Global Exchange Market and the rules of Euronext Dublin so require, as soon as reasonably practicable after the applicable redemption date inform Euronext Dublin of such optional redemption and confirm the aggregate principal amount of the Senior Subordinated Notes that will remain outstanding immediately after such redemption.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Senior Subordinated Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Senior Subordinated Notes will be subject to redemption by the Issuer.

### **SINKING FUND**

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Senior Subordinated Notes.

### **REDEMPTION AT MATURITY**

On \_\_\_\_\_, 2027, the Issuer will redeem the Senior Subordinated Notes that have not been previously redeemed or purchased and cancelled at 100% of their principal amount *plus* accrued and unpaid interest thereon and Additional Amounts, if any, to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

### **SELECTION AND NOTICE**

If less than all the Senior Subordinated Notes is to be redeemed at any time, the Registrar or the Paying Agent will select Senior Subordinated Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Senior Subordinated Notes are listed, and in compliance with the requirements of Euroclear or Clearstream, or if the Senior Subordinated Notes are not so listed or such exchange prescribes no method of selection and the Senior Subordinated Notes are not held through Euroclear or Clearstream, or Euroclear or Clearstream prescribes no method of selection based on a method that most nearly approximates a *pro rata* selection as the Registrar or the Paying Agent (as applicable) deems fair and appropriate; *provided, however*, that no Senior Subordinated Note of €100,000 in principal amount or less shall be redeemed in part and only Senior Subordinated Notes in integral multiples of €1,000, will be redeemed. Neither the Senior Subordinated Notes Trustee, the Paying Agent, nor the Registrar will be liable for any selections made in accordance with this paragraph.

So long as any Senior Subordinated Notes are listed on the Official List of Euronext Dublin and admitted for trading on the Global Exchange Market and the rules of Euronext Dublin so require, any such notice to the Holders of the relevant Senior Subordinated Notes shall to the extent and in the manner permitted by such rules, be posted on the official website of Euronext Dublin

(<https://www.euronext.com/en/markets/dublin>) concurrently with the notice delivered via mail or through Euroclear and Clearstream or as soon as reasonably practicable thereafter and in addition to such release, not less than 10 nor more than 60 days prior to the redemption date, the Issuer shall mail such notice to Holders by first class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. Such notice of redemption may also be posted on the website of Euronext Dublin (<https://www.euronext.com/en/markets/dublin>), to the extent and in the manner permitted by the rules of Euronext Dublin. For Senior Subordinated Notes which are represented by Global Notes held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing.

If any Senior Subordinated Note is to be redeemed in part only, the notice of redemption that relates to that Senior Subordinated Note shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Senior Subordinated 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, Senior Subordinated Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Senior Subordinated Notes or portions of Senior Subordinated Notes called for redemption.

#### **REDEMPTION FOR TAXATION REASONS**

The Issuer may redeem the Senior Subordinated Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' notice to the Holders of the Senior Subordinated Notes (which notice will be irrevocable) at a redemption price equal to 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*") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts, if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if the Issuer determines in good faith that, as a result of:

- (1) any change in, or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) which change or amendment is publicly announced and becomes effective on or after the Issue Date (or, if a Relevant Taxing Jurisdiction becomes a Relevant Taxing Jurisdiction on a date after the Issue Date, on or after such later date); or
- (2) any change in, or amendment to, an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including by virtue of a holding, judgment or order by a court of competent jurisdiction) of a Relevant Taxing Jurisdiction, which change or amendment is publicly announced and becomes effective on or after the Issue Date (or, if a Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the Issue Date, on or after such later date) (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

the Issuer or any Senior Subordinated Notes Guarantor is, or on the next interest payment date in respect of the Senior Subordinated Notes would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the Issuer or such Senior Subordinated Notes Guarantor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*—Selection and notice*".

Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Issuer or Senior Subordinated Notes Guarantor would be obliged to pay Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of such Senior Subordinated Notes pursuant to the foregoing, the Issuer will deliver to the Senior Subordinated Notes Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and that it or the relevant Senior Subordinated Notes Guarantor would not be able to avoid the obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing and reasonably satisfactory to the Senior Subordinated Notes Trustee to the effect that the Issuer has been or will become obligated to pay Additional Amounts

as a result of a Change in Tax Law. The Senior Subordinated Notes Trustee will accept such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above and compliance with the Senior Subordinated Notes Indenture, without further inquiry, in which event it will be conclusive and binding on the Holders.

The foregoing will apply (a) to any Senior Subordinated Notes Guarantor only if the payment giving rise to such requirement cannot be made by the Issuer or another Senior Subordinated Notes Guarantor without the obligation to pay Additional Amounts and (b) *mutatis mutandis* to any successor Person and to any jurisdiction in which any successor Person is incorporated or organized or otherwise considered to be a tax resident or maintaining a permanent establishment or doing business for Tax purposes or any jurisdiction from or through which any payment on the Senior Subordinated Notes or any Senior Subordinated Notes Guarantee is made by or on behalf of such successor Person and any political subdivision or taxing authority or agency thereof or therein.

#### **WITHHOLDING TAXES**

All payments made by or on behalf of the Issuer or any Senior Subordinated Notes Guarantor thereto (each, a "Payor") on the Senior Subordinated Notes or any Senior Subordinated Notes Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by:

- (1) any jurisdiction in which a Payor is then incorporated, organized, or otherwise considered to be a tax resident or maintaining a permanent establishment or doing business for tax purposes, or any political subdivision or Governmental Authority thereof or therein having the power to tax; or
- (2) any jurisdiction from or through which any payment on any such Senior Subordinated Note or Senior Subordinated Notes Guarantee is made by or on behalf of such Payor (including, without limitation, the jurisdiction of any Paying Agent for the Senior Subordinated Notes), or any political subdivision or governmental authority thereof or therein having the power to tax (each of clauses (1) and (2), a "*Relevant Taxing Jurisdiction*"),

will at any time be required in respect of any payments made by or on behalf of a Payor under or with respect to any Senior Subordinated Note or Senior Subordinated Notes Guarantee, including, without limitation, payments of principal, redemption price, purchase price, premium, if any, or interest, the Payor will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments by the Holder after such withholding, deduction or imposition (including any such deduction, withholding or imposition in respect of such Additional Amounts), will equal the amounts which would have been received in respect of such payments in the absence of such withholding, deduction or imposition; *provided, however*, that no such Additional Amounts will be payable for or on account of:

- (a) any Taxes, to the extent such Taxes would not have been so imposed but for the existence of any actual or deemed present or former connection between the relevant Holder or the beneficial owner of a Senior Subordinated Note (or between a fiduciary, settlor, beneficiary, partner, member or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including being a citizen or resident or national or domiciliary of, or carrying on a business or maintaining a permanent establishment, place of business or place of management in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition or ownership of a Senior Subordinated Note or the receipt of any payment in respect of, or the enforcement of, the Senior Subordinated Notes or any Senior Subordinated Notes Guarantee;
- (b) any Taxes, to the extent such Taxes are imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Senior Subordinated Note to comply with a written request of any Payor addressed to the Holder or beneficial owner (and made at a time that would enable the Holder or beneficial owner acting reasonably to comply with that request) to comply with any certification, information, documentation or other reporting requirements, which are required by applicable law, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Taxes imposed by the Relevant Taxing Jurisdiction, but only to the extent the Holder or beneficial owner is legally entitled to provide such certification, information or documentation;

- (c) any Taxes that are required to be paid other than by deduction or withholding from a payment on the Senior Subordinated Notes or any Senior Subordinated Notes Guarantee;
- (d) any estate, inheritance, gift, value added, sales, transfer, personal property or similar Tax;
- (e) any Taxes imposed on a payment on a Senior Subordinated Note presented for payment (where presentation is permitted or required for payment) to a Holder or beneficial owner who would have been able to avoid such Taxes by presenting the relevant Senior Subordinated Note to another Paying Agent;
- (f) any Taxes imposed pursuant to or in connection with Sections 1471 through 1474 of the Code (or any amended or successor version of such sections), the Treasury regulations thereunder, any official interpretations thereof or any similar law or regulations adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any agreements entered into pursuant to Section 1471(b)(1) of the Code; or
- (g) any combination of the above.

Such Additional Amounts will also not be payable if the payment could have been made without such deduction or withholding if the beneficiary of the payment had presented the Senior Subordinated Note for payment (where presentation is permitted or required for payment) within 30 days after the relevant payment was first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Senior Subordinated Note been presented on the last day of such 30-day period).

In addition, such Additional Amounts shall not be paid with respect to any payment to any Holder who is a fiduciary or a partnership or any person other than the beneficial owner of such Senior Subordinated Notes to the extent that the beneficiary or settlor with respect to such fiduciary, the member of such partnership or the beneficial owner of such Senior Subordinated Notes would not have been entitled to such Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Senior Subordinated Notes directly.

The Payor or the applicable withholding agent will (i) make any required withholding or deduction and (ii) timely remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will (i) use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment by the Payor of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, in such form as provided in the ordinary course by the Relevant Taxing Jurisdiction or, if notwithstanding such Payor's efforts to obtain such tax receipts, such tax receipts are not obtained, then such other evidence of payment of such Taxes by the Payor as is reasonably satisfactory to the Senior Subordinated Notes Trustee and (ii) provide such certified copies or such evidence of payment to the Senior Subordinated Notes Trustee, within a reasonable time after the date the payment of any Taxes so deducted or withheld is made. Copies of such documentation will be available for inspection during ordinary business hours at the office of the Senior Subordinated Notes Trustee by the Holders upon request and will be made available at the offices of the Listing Agent if the Senior Subordinated Notes are then listed on Euronext Dublin.

If any Payor becomes aware that it will be obligated to pay Additional Amounts under or with respect to any payment made on any Senior Subordinated Note or Senior Subordinated Notes Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Senior Subordinated Notes Trustee an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders or the beneficial owner on the relevant payment date (unless such obligation to pay Additional Amounts arises, or the Payor becomes aware of such obligation, less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Senior Subordinated Notes Trustee will be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever there are mentioned, in any context in any of the Senior Subordinated Notes Indenture, the Senior Subordinated Notes Guarantees or this Description of the Senior Subordinated Notes: (1) the payment of principal, (2) purchase price in connection with a purchase of Senior Subordinated Notes, (3) interest, or (4) any other amount payable on or with respect to the Senior Subordinated Notes, such

reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay any present or future stamp, issue, registration, court or documentary Taxes, or any other excise, property or similar Taxes (including any reasonable expenses related thereto) that arise in any Relevant Taxing Jurisdiction from the execution, issuance, delivery, initial resale, or registration or any payments under or with respect to any Senior Subordinated Notes, the Senior Subordinated Notes Indenture, any Senior Subordinated Notes Guarantee or any other document or instrument in relation thereto, or in any tax jurisdiction on the enforcement of any of the foregoing (other than on a transfer of Senior Subordinated Notes other than the initial resale by the Initial Purchasers or any payments under or with respect thereto, and limited, solely in the case of Taxes attributable to any payments under or with respect thereto, to any such Taxes imposed in a Relevant Taxing Jurisdiction that are not excluded under clauses (a), (b) and (d) through (f) above, under the second and third paragraphs under this heading or any combination thereof) and the Payor agrees to indemnify the Holders for any such Taxes paid by or on behalf of such Holders.

The foregoing obligations will survive any termination, defeasance or discharge of the Senior Subordinated Notes Indenture, and any transfer by a Holder or beneficial owner of its Senior Subordinated Notes, and will apply *mutatis mutandis* to any successor to a Payor and to any jurisdiction in which any successor to the Payor is incorporated or otherwise considered to be a tax resident or maintaining a permanent establishment or doing business for Tax purposes or any jurisdiction from or through which any payment on the Senior Subordinated Notes or any Senior Subordinated Notes Guarantee is made by or on behalf of such successor and any political subdivision or taxing authority or agency thereof or therein.

#### CHANGE OF CONTROL

If a Change of Control Triggering Event occurs, subject to the terms of the covenant described under this heading "*Change of Control*", each Holder will have the right to require the Issuer to repurchase all or any part (equal to €100,000 or an integral multiple of €1,000 in excess thereof) of such Holder's Senior Subordinated Notes at a purchase price in cash equal to 101% of the principal amount of each Note, *plus* accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that the Issuer shall not be obliged to repurchase Senior Subordinated Notes as described under this heading, "*Change of Control*", in the event and to the extent that it has unconditionally exercised its right to redeem all of the Senior Subordinated Notes as described under "*—Optional redemption*" and has not defaulted in the payment of the applicable redemption price or all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Senior Subordinated Notes as described under "*—Optional redemption*" and has not defaulted in the payment of the applicable redemption price or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control Triggering Event, the Issuer will send a notice (the "*Change of Control Offer*") to each Holder of any such Senior Subordinated Notes, by mail or otherwise in accordance with the procedures set forth in the Senior Subordinated Notes Indenture, with a copy to the Senior Subordinated Notes Trustee:

- (1) stating that a Change of Control Triggering Event has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Senior Subordinated Notes at a purchase price in cash equal to 101% of the principal amount of such Senior Subordinated Notes *plus* accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "*Change of Control Payment*");
- (2) stating the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "*Change of Control Payment Date*") and the record date;
- (3) stating that any Senior Subordinated Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Senior Subordinated Notes or part thereof not tendered will continue to accrue interest;

- (4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control Triggering Event;
- (5) describing the procedures determined by the Issuer, consistent with the Senior Subordinated Notes Indenture, that a Holder must follow in order to have its Senior Subordinated Notes repurchased; and
- (6) if such notice is mailed prior to the occurrence of a Change of Control Triggering Event, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control Triggering Event.

On the Change of Control Payment Date, if the Change of Control Triggering Event shall have occurred, the Issuer will, to the extent lawful:

- (1) accept for payment all Senior Subordinated Notes or portion thereof properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Senior Subordinated Notes so tendered;
- (3) deliver or cause to be delivered to the Senior Subordinated Notes Trustee an Officer's Certificate stating the aggregate principal amount of Senior Subordinated Notes or portions of the Senior Subordinated Notes being purchased by the Issuer in the Change of Control Offer;
- (4) in the case of Global Notes, deliver, or cause to be delivered, to the Paying Agent the Global Notes in order to reflect thereon the portion of such Senior Subordinated Notes or portions thereof that have been tendered to and purchased by the Issuer; and
- (5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agent will promptly mail (or cause to be delivered), at the Issuer's expense, to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Senior Subordinated Notes, and the Senior Subordinated Notes Trustee will, at the Issuer's expense, promptly authenticate and mail (or cause to be transferred by book entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Senior Subordinated Notes surrendered, if any; *provided* that each such new Senior Subordinated Note will be in a principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

If and for so long as the Senior Subordinated Notes are listed on the Official List of Euronext Dublin and admitted for trading on the Global Exchange Market and the rules of Euronext Dublin so require, the Issuer will publish notices relating to the Change of Control Offer as soon as reasonably practicable after the Change of Control Payment Date in a leading newspaper of general circulation in Ireland (which is expected to be *The Irish Times*) or, to the extent and in the manner permitted by such rules, post such notices on the official website of Euronext Dublin (<https://www.euronext.com/en/markets/dublin>).

The Change of Control provisions described above will be applicable whether or not any other provisions of the Senior Subordinated Notes Indenture are applicable. Except as described above with respect to a Change of Control Triggering Event, the Senior Subordinated Notes Indenture does not contain provisions that permit the Holders to require the Issuer to repurchase or redeem the Senior Subordinated Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Senior Subordinated Notes upon the occurrence of a Change of Control Triggering Event may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control Triggering Event.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control Triggering Event if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Senior Subordinated Notes Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Senior Subordinated Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control Triggering Event, conditioned upon the consummation of such Change of Control Triggering Event, if a definitive agreement is in place for the Change of Control Triggering Event at the time the Change of Control Offer is made.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Senior Subordinated Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Senior Subordinated Notes Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Senior Subordinated Notes Indenture by virtue of the conflict.

The Issuer's ability to repurchase Senior Subordinated Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control Triggering Event would require a mandatory prepayment of Indebtedness under the New Revolving Credit Facility. In addition, certain events that may constitute a Change of Control Triggering Event under the New Revolving Credit Facility or the indenture governing the Senior Secured Notes and require a mandatory prepayment of Indebtedness under such agreements may not constitute a Change of Control Triggering Event under the Senior Subordinated Notes Indenture. In addition, the Senior Secured Notes Indenture restricts the ability of the Issuer to repurchase Senior Subordinated Notes unless the Issuer has complied, or will substantially concurrently with the repurchase of the Senior Subordinated Notes comply, with the applicable change of control offer provisions of the Senior Secured Notes Indenture. Future Indebtedness of the Issuer or its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control Triggering Event or require such Indebtedness to be repurchased or repaid upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Senior Subordinated Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral— We may not 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 Indentures, and the change of control provision contained in the Indentures may not necessarily afford you protection in the event of certain important corporate events*".

In addition, the definitions of "Change of Control Triggering Event" and "Permitted Holders" expressly permit a third party to obtain control of the Issuer in a transaction (i) which is a Specified Change of Control Event or (ii) which is a Change of Control but not a Change of Control Triggering Event, in each case without any obligation to make a Change of Control Offer.

The definition of "Change of Control" includes a disposition of all or substantially all of the property and assets of the Issuer and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control Triggering Event has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Senior Subordinated Notes as described above.

The provisions of the Senior Subordinated Notes Indenture relating to the Issuer's obligation to make an offer to repurchase the Senior Subordinated Notes as a result of a Change of Control Triggering Event may be waived or modified with the written consent of Holders of a majority in aggregate principal amount of the Senior Subordinated Notes.

## **CERTAIN COVENANTS**

### **Limitation on Indebtedness**

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that the Issuer and any of its Restricted Subsidiaries may Incur Indebtedness if on the date of such Incurrence and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof), the Fixed Charge Coverage Ratio for the Issuer for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is Incurred would have been at least 2.0 to 1.0; *provided, however*, that the maximum aggregate principal amount of Debt that



may be Incurred by Restricted Subsidiaries that are not Senior Subordinated Notes Guarantors pursuant to this paragraph (1) shall not exceed €50.0 million at any time outstanding.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

- (1) Indebtedness Incurred pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding the greater of (x) €50 million and (y) 48.0% of Consolidated EBITDA, *provided*, that any Indebtedness Incurred pursuant to this clause (1) may be refinanced at any time if such refinancing does not exceed the greater of (I) the aggregate principal amount of Indebtedness permitted to be Incurred pursuant to this clause (1) on the date of such refinancing and (II) the aggregate principal amount of the Indebtedness being refinanced at such time (together with an amount necessary to pay accrued and unpaid interest and any fees and expenses, including any premium and defeasance costs, indemnity fees, discounts, premiums and other costs and expenses (including original issue discount, upfront fees or similar fees) Incurred or payable in connection with such refinancing);
- (2)
  - (a) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary in each case, so long as the Incurrence of such Indebtedness is permitted under the terms of the Senior Subordinated Notes Indenture (other than pursuant to this clause (2)); *provided* that, if Indebtedness being Guaranteed is subordinated to or *pari passu* with the Senior Subordinated Notes or a Senior Subordinated Notes Guarantee, then the Guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness Guaranteed; and
  - (b) without limiting the "*—Limitation on Liens*" covenant, Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Senior Subordinated Notes Indenture (other than pursuant to this clause (2));
- (3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided, however*, that:
  - (a) (1) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary of the Issuer; and (2) any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary of the Issuer, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause by the Issuer or such Restricted Subsidiary, as the case may be; and
  - (b) if the Issuer or a Senior Subordinated Notes Guarantor is the obligor on such Indebtedness and the obligee is not the Issuer or a Senior Subordinated Notes Guarantor, such Indebtedness must be (a) unsecured and (b) except in respect of intercompany current liabilities Incurred in the ordinary course of business, if the aggregate principal amount of such Indebtedness of the Issuer or such Senior Subordinated Notes Guarantor exceeds €2.5 million, to the extent legally permitted expressly subordinated to the prior payment in full in cash of all obligations with respect to the Senior Subordinated Notes or the applicable Senior Subordinated Notes Guarantee, in the case of the Senior Subordinated Notes Guarantors and such condition shall be deemed to be satisfied if each such obligee accedes to the New Intercreditor Agreement as an Intra-Group Lender (as defined in the New Intercreditor Agreement);
- (4)
  - (a) Indebtedness represented by the Senior Subordinated Notes (other than any Additional Senior Subordinated Notes) and the Senior Subordinated Notes Guarantees thereof and Indebtedness represented by the Senior Secured Notes (other than any Additional Senior Secured Notes, as defined in "*Description of the Senior Secured Notes*") and the Senior Secured Notes Guarantees (as defined in "*Description of the Senior Secured Notes*") thereof,
  - (b) any Indebtedness (other than Indebtedness described in clauses (1), (3), (4)(a) and (16) of this paragraph) entered into or outstanding on the Issue Date, (c) Refinancing Indebtedness

Incurred in respect of any Indebtedness described in sub- clauses (a), (b) and (c) of this clause (4) or clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant and (d) Management Advances;

- (5) Indebtedness of (x) the Issuer or any of its Restricted Subsidiaries Incurred to finance an acquisition or (y) Persons that are acquired by the Issuer or any of its Restricted Subsidiaries or merged, consolidated, amalgamated with or into the Issuer or any of its Restricted Subsidiaries in accordance with the terms of the Senior Subordinated Notes Indenture; *provided, however*, that after giving effect to such acquisition or merger, consolidation or amalgamation either: (a) the Issuer would be permitted to Incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of this covenant; or (b) the Fixed Charge Coverage Ratio of the Issuer would not be less than it was immediately prior to giving effect to such acquisition or merger, consolidation or amalgamation;
- (6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements entered into for *bona fide* hedging purposes of the Issuer or its Restricted Subsidiaries and not for speculative purposes (as determined in good faith by an Officer or the Board of Directors of the Issuer);
- (7) Indebtedness consisting of (A) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness (*provided* that, in each case, the Indebtedness exists on the date of such purchase, lease, rental, construction, design, installation or improvement or is created within 180 days thereafter), in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time outstanding the greater of (x) €15 million and (y) 14.4% of Consolidated EBITDA;
- (8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other Guarantees or other similar bonds, instruments or obligations and completion Guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or Guarantees Incurred in the ordinary course of business, (b) letters of credit, bankers' acceptances, Guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business; *provided, however*, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 60 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business, (d) any cash management, cash pooling or netting or setting off arrangements in the ordinary course of business and (e) Indebtedness representing deferred compensation to current or former directors, officers, employees, members of management, managers and consultants of any Parent Entity, the Issuer or any of its Subsidiaries in the ordinary course of business or consistent with past practice;
- (9) Indebtedness arising from agreements providing for customary Guarantees, indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness in connection with any such disposition shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;
- (10) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course

of business; *provided, however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;

- (b) take-or-pay obligations, customer deposits and advance payments received in the ordinary course of business consistent with past practice from customers for goods purchased in the ordinary course of business;
  - (c) Indebtedness owed on a short-term basis of no longer than 60 days to banks and other financial institutions Incurred in the ordinary course of business of the Issuer and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and its Restricted Subsidiaries; and
  - (d) Indebtedness Incurred by the Issuer or a Restricted Subsidiary in connection with bankers' acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case Incurred or undertaken in the ordinary course of business on arm's length commercial terms;
- (11) Indebtedness (including any Refinancing Indebtedness in respect thereof) of the Issuer or any of its Restricted Subsidiaries in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares, an Excluded Contribution or a Parent Debt Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares, an Excluded Contribution or a Parent Debt Contribution) of the Issuer, in each case, subsequent to the Issue Date; *provided, however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6) and (10) of the second paragraph of the "*Limitation on Restricted Payments*" covenant below to the extent the Issuer and its Restricted Subsidiaries Incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (11) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the second paragraph of the "*Limitation on Restricted Payments*" covenant below in reliance thereon;
- (12) any Guarantees by the Issuer or any Senior Subordinated Notes Guarantor of Parent Debt, the net proceeds of which have been lent to the Issuer pursuant to an Issuer Proceeds Loan; *provided* that such Issuer Proceeds Loan has been Incurred in compliance with this covenant other than this clause (12); *provided, further*, that such Guarantees are subordinated to the Senior Subordinated Notes and the Senior Subordinated Notes Guarantees, as applicable, pursuant to the New Intercreditor Agreement or an Additional Intercreditor Agreement and that such Issuer Proceeds Loan is pledged to secure the Senior Subordinated Notes and the Senior Subordinated Notes Guarantees, which Lien secures the Senior Subordinated Notes and the Senior Subordinated Notes Guarantees on prior basis to any Liens securing such Parent Debt in accordance with the New Intercreditor Agreement and any Additional Intercreditor Agreement;
- (13) Indebtedness of the Issuer or any Restricted Subsidiary consisting of local lines of credit and overdraft facilities in an aggregate amount at any time outstanding not exceeding the greater of (x) €5 million and (y) 4.8% of Consolidated EBITDA in the aggregate outstanding at any one time;
- (14) Indebtedness under daylight borrowing facilities Incurred in connection with any refinancing of Indebtedness (including by way of set-off or exchange) so long as any such Indebtedness is repaid within three days of the date on which such Indebtedness is Incurred;
- (15) Indebtedness (including any Refinancing Indebtedness in respect thereof) of the Issuer or any Restricted Subsidiary in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (15) and then outstanding, will not exceed the greater of (x) €40 million and (y) 38.4% of Consolidated EBITDA; and

- (16) Indebtedness of the Issuer or any Restricted Subsidiary consisting of leases (including Capitalized Lease Obligations) or other obligations existing on the Issue Date or incurred thereafter that would have been treated as operating leases under IAS 17 (*Leases*), as in effect on December 31, 2018, before the implementation of IFRS 16 (*Leases*).

For purposes of determining compliance with, and the outstanding amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

- (1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant; *provided* that (a) all Indebtedness outstanding under the New Revolving Credit Facility shall be deemed initially Incurred under clause (1) of the second paragraph of this covenant and not the first paragraph or clause (4)(b) of the second paragraph of the description of this covenant, and may not be reclassified and (b) all Senior Secured Indebtedness Incurred under clause (1) or (7) of the second paragraph of this covenant that is secured by Liens on Senior Subordinated Notes Collateral that is accorded super senior priority status with respect to proceeds of enforcement of Senior Subordinated Notes Collateral under the New Intercreditor Agreement or any Additional Intercreditor Agreement pursuant to clause (1) or (7) of the second paragraph may not be reclassified;
- (2) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;
- (3) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7), (13) or (15) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;
- (4) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greatest of (x) the maximum mandatory redemption, (y) repurchase price (not including, in either case, any redemption or repurchase premium) and (z) the liquidation preference thereof;
- (5) when calculating the availability under any basket or ratio under the Senior Subordinated Notes 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 for such Limited Condition Acquisition are entered into and such baskets or ratios shall be calculated on a *pro forma* basis 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 reference 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). For the avoidance of doubt, (x) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in 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 and the related transactions are permitted hereunder and (y) 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, any such transactions (including any Incurrence of Indebtedness and the use of proceeds thereof) shall be deemed to have occurred on the date the definitive agreements are entered and outstanding thereafter for purposes of calculating any baskets or ratios under the Senior Subordinated Notes Indenture after the date of such agreement and before the consummation of such Limited Condition Acquisition; and

- (6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS, will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this "*—Limitation on Indebtedness*". The amount of any Indebtedness outstanding as of any date will be: (i) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS and (ii) the principal amount of the Indebtedness, in the case of any other Indebtedness. For the purposes of determining any particular amount of Indebtedness under this "*—Limitation on Indebtedness*" covenant, obligations with respect to letters of credit, Guarantees or Liens, in each case supporting Indebtedness otherwise included in the determination of such particular amount will not be included.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary of the Issuer as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this "*—Limitation on Indebtedness*", the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the aggregate principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced; (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

#### **Limitation on Layered Indebtedness**

The Issuer will not, and will not permit any Senior Subordinated Notes Guarantor to, Incur any Indebtedness that is contractually subordinated in right of payment to any Indebtedness of the Issuer or such Senior Subordinated Notes Guarantor, unless (a) if such Indebtedness is only contractually subordinated to Indebtedness to which the Senior Secured Notes or such Subsidiary Guarantor's Guarantee is contractually subordinated, such Indebtedness ranks *pari passu* with the Senior Subordinated Notes or the Senior Subordinated Notes Guarantee of such Senior Subordinated Notes Guarantor, as applicable, or (b) such Indebtedness is contractually subordinated in right of payment to the Senior Subordinated Notes or the Senior Subordinated Notes Guarantee of such Senior Subordinated Notes Guarantor, as applicable; *provided* that (i) no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness solely by virtue of being unsecured or (ii) no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness, subject to the priority with respect to distributions of proceeds of any enforcement of Senior Subordinated Notes Collateral or any other collateral of secured Indebtedness as set out in the New Intercreditor Agreement.

## Limitation on Restricted Payments

The Issuer will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

- (1) declare or pay any dividend or make any other payment or distribution on or in respect of the Issuer's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) except:
  - (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer or in Subordinated Shareholder Funding; or
  - (b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or any Restricted Subsidiary of the Issuer on no more than a *pro rata* basis, measured by value);
- (2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any direct or indirect Parent Entity of the Issuer or any Holding AA Entity held by Persons other than the Issuer or a Restricted Subsidiary of the Issuer (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));
- (3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the "*—Limitation on Indebtedness*" covenant) or make any cash interest payment or any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Shareholder Funding including, for the avoidance of doubt, the Shareholder Bonds; or
- (4) make any Restricted Investment in any Person (any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (4) are referred to herein as a "*Restricted Payment*"), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:
  - (a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);
  - (b) the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph of the "*—Limitation on Indebtedness*" covenant after giving effect, on a *pro forma* basis, to such Restricted Payment; or
  - (c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5) (without duplication of amounts paid pursuant to any other clause of the succeeding paragraph), (10), (21)(i)(A) and (21)(ii) of the succeeding paragraph, but excluding all other Restricted Payments permitted by the succeeding paragraph) would exceed the sum of (without duplication):
    - (i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the first fiscal quarter commencing immediately after the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer are available (or, in the case such Consolidated Net Income is a deficit, *minus* 100% of such deficit); *plus*
    - (ii) 100% of the aggregate Net Cash Proceeds, and the fair market value of property or assets or marketable securities, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the

issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Issue Date (other than (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the second succeeding paragraph and (z) Excluded Contributions or Parent Debt Contributions); *plus*

- (iii) 100% of the aggregate 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 to the Issuer or a Restricted Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (*plus* the amount of any cash, and the fair market value of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary upon such conversion or exchange) but excluding (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the succeeding paragraph and (y) Excluded Contributions or Parent Debt Contributions; *plus*
- (iv) the amount equal to the net reduction in Restricted Investments made by the Issuer or any of its Restricted Subsidiaries resulting from:
  - (A) repurchases, redemptions or other acquisitions or retirements of any such Restricted Investment, proceeds realized upon the sale or other disposition to a Person other than the Issuer or a Restricted Subsidiary of any such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to the Issuer or any Restricted Subsidiary; or
  - (B) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued, in each case, as provided in the definition of "Investment") not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Issuer or any Restricted Subsidiary in such Unrestricted Subsidiary, which amount, in each case under this clause (iv), constituted a Restricted Payment made after the Issue Date; *provided, however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included under this clause (iv); *plus*
- (v) the amount of the cash and the fair market value of property or assets or of marketable securities received by the Issuer or any of its Restricted Subsidiaries in connection with:
  - (A) the sale or other disposition (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary of the Issuer; and
  - (B) any dividend or distribution made by an Unrestricted Subsidiary to the Issuer or a Restricted Subsidiary;

*provided, however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included under this clause (v); *further provided* that upon a Specified Change of Control Event, all amounts calculated pursuant to this clause (c) shall be reset at zero and all references to the Issue Date in this clause (c) shall thereafter refer to the date of such Specified Change of Control Event; *further provided* that notwithstanding the foregoing, (x) any amounts (such amounts, the "*Excluded Amounts*") that would otherwise be included in the calculation of the amount available for Restricted Payments pursuant to the preceding clause (c) will be excluded to the extent (1) such amounts result from the receipt of Net Cash Proceeds or marketable securities received from the Initial Investors in contemplation of, or in connection with, an event that would otherwise constitute a Change of Control Triggering Event, (2) the purpose of the receipt of such Net Cash Proceeds or marketable securities was to reduce the Consolidated Net Leverage Ratio so that there would be an occurrence of a Specified Change of Control Event that would not have been achieved without the receipt of such Net Cash Proceeds or marketable securities and (3) no Change of Control Offer is made in connection with such Change of Control Triggering Event in accordance with the requirements of the Senior Subordinated Notes Indenture and (y) Excluded Amounts shall be limited to the amount of Net Cash Proceeds or marketable securities necessary to reduce the Consolidated Net Leverage Ratio to cause the occurrence of a Specified Change of Control Event, and amounts of Net Cash Proceeds or marketable securities received in excess thereof shall not constitute Excluded Amounts.

The fair market value of property or assets other than cash covered by the preceding sentence shall be the fair market value thereof as determined conclusively by an Officer or the Board of Directors of the Issuer acting in good faith; *provided* that any determination of the fair market value of such property or assets in excess of €10 million shall be made solely by the Board of Directors of the Issuer.

The foregoing provisions will not prohibit any of the following (collectively, "*Permitted Payments*"):

- (1) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution, Excluded Amounts or a Parent Debt Contribution) of the Issuer; *provided, however*, that to the extent so applied, the Net Cash Proceeds, or fair market value of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the first paragraph describing this covenant;
- (2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made in exchange for, or out of the proceeds of the substantially concurrent Incurrence of, Refinancing Indebtedness permitted to be Incurred pursuant to the "*Limitation on Indebtedness*" covenant above;
- (3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made in exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the "*Limitation on Indebtedness*" covenant above, and that in each case, constitutes Refinancing Indebtedness;
- (4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:
  - (a) (i) from Net Available Cash to the extent permitted under "*Limitation on sales of assets and subsidiary stock*" below, but only if the Issuer shall have complied with the terms described under "*Limitation on sales of assets and subsidiary stock*" and purchased all Senior Subordinated Notes tendered pursuant to any offer to repurchase all the Senior Subordinated Notes required thereby, prior to or substantially concurrently with purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not



greater than 100% of the principal amount of such Subordinated Indebtedness *plus* accrued and unpaid interest;

- (b) to the extent required by the agreement governing such Subordinated Indebtedness, following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if required, if the Issuer shall have complied with the terms described under "*—Change of Control*" and purchased all Senior Subordinated Notes tendered pursuant to the offer to repurchase all the Senior Subordinated Notes required thereby, prior to or substantially concurrently with purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness *plus* accrued and unpaid interest; or
  - (c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness *plus* accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness;
- (5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant or the redemption, repurchase or retirement of Indebtedness if, at the date of any redemption notice, such payment would have complied with the provisions of the Senior Subordinated Notes Indenture as if it were and is deemed at such time to be a Restricted Payment at the time of such notice;
  - (6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary, any Parent Entity or any Holding AA Entity (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent Entity, any Holding AA Entity or any entity formed for the purpose of investing in Capital Stock of the Issuer to permit any Parent Entity, any Holding AA Entity or such other entity to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary, any Parent Entity or any Holding AA Entity (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary, any Parent Entity or any Holding AA Entity (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (1) €7.5 million, *plus* €2.0 million multiplied by the number of fiscal years that have commenced since the Issue Date, *plus* (2) the Net Cash Proceeds received by the Issuer or its Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent Entity or a Holding AA Entity) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), to the extent such Net Cash Proceeds have not otherwise been designated as Excluded Contributions, Excluded Amounts or Parent Debt Contributions and are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant;
  - (7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the "*—Limitation on Indebtedness*" covenant above;
  - (8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;
  - (9) dividends, loans, advances or distributions to any Parent Entity or any Holding AA Entity or other payments by the Issuer or any Restricted Subsidiary to Affiliates in amounts not to exceed

(without duplication) the following amounts (rounded up to the next higher hundred thousand euro):

- (a) any Parent Expenses or any Related Taxes; or
  - (b) amounts constituting or to be used for purposes of making payments (i) of fees and expenses Incurred in connection with the Transactions or (ii) to the extent specified in clauses (2), (3), (5), (11), (12), (13) and (16) of the second paragraph under "*—Limitation on Affiliate Transactions*";
- (10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Issuer of, or loans, advances, dividends or distributions on the common stock or common equity interests of the Issuer or any Parent Entity following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (x) 6% of the Net Cash Proceeds received by the Issuer from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or through an Excluded Contribution, Excluded Amount or a Parent Debt Contribution) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer and (y) following the Initial Public Offering, an amount equal to the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; *provided* that after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 3.75 to 1.00; *provided, further* that, if such Public Offering was of Capital Stock of a Parent Entity, the net proceeds of any such dividends or distributions are used to fund a corresponding dividend or other distribution in equal or greater amount on the Capital Stock of such Parent Entity;
- (11) payments by the Issuer, or loans, advances, dividends or distributions to make payments, to holders of Capital Stock of the Issuer or any Parent Entity in lieu of the issuance of fractional shares of such Capital Stock; *provided, however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by an Officer or the Board of Directors of the Issuer);
- (12) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (12);
- (13) payment of any Receivables Fees, sales contributions and other transfers of Receivables Assets and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in each case in connection with a Qualified Receivables Financing;
- (14) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent Entity or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent Entity or Affiliate issued after the Issue Date; *provided, however*, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (14) shall not exceed the Net Cash Proceeds received by the Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock, an Excluded Contribution or a Parent Debt Contribution or, in the case of Designated Preference Shares by a Parent Entity or an Affiliate, the issuance of Designated Preference Shares) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer, as applicable, from the issuance or sale of such Designated Preference Shares;
- (15) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;
- (16) any Restricted Payment made in connection with the Transactions or used to fund amounts owed to Affiliates in connection with the Transactions (including dividends to any Parent Entity to permit payment by such Parent Entity of such amounts);
- (17) (i) payment under an Issuer Proceeds Loan Incurred in compliance with the "*—Limitation on Indebtedness*" covenant, other than clause (12) of the second paragraph of such covenant, for the purpose of making corresponding interest payments on the applicable Indebtedness

Incurred by a Parent Entity, and (ii) (A) payments of cash, dividends, distributions, capital reduction, repayment or repurchase of Subordinated Shareholder Funding, loans, advances or any other Restricted Payment by the Issuer or any of its Restricted Subsidiaries to a Parent Entity for the purposes of making corresponding interest payments on any Parent Debt (whether directly or indirectly through a Parent Entity) and (B) solely to effect the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of any Parent Debt permitted pursuant to clause (4) of this paragraph; *provided* that, (x) in each case, the Parent Entity applies such payments substantially concurrently with the receipt of such payments and (y) in the case of (ii), such payments to such Parent Entity may only be made to the extent that the net proceeds of the Parent Debt for which the corresponding payment is to be made have been contributed to the Issuer or any of its Restricted Subsidiaries as a Parent Debt Contribution; *provided, further*, that any payments on Parent Debt pursuant to subclause (ii) may only be made if, at the time such Parent Debt was Incurred by the Parent Entity, the Issuer could have Incurred, or provided a Guarantee for, Indebtedness pursuant to the "*Limitation on Indebtedness*" covenant in an aggregate amount equal to the amount of Parent Debt on which interest payments are sought to be made pursuant to subclause (ii);

- (18) payment to, or loans, advances, dividends or distributions to any Parent Entity or any Holding AA Entity to make payments to, Mr. Alain Afflelou or entities controlled by him under agreements between the Issuer, any of its Restricted Subsidiaries, any Parent Entity or any Holding AA Entity and Mr. Alain Afflelou or entities controlled by him, not to exceed €2 million per fiscal year, and excluding compensation paid to Mr. Alain Afflelou in his capacity as Chairman of the Board of Directors;
- (19) *[Reserved]*;
- (20) payments or distributions to dissenting stockholders pursuant to applicable law (including in connection with, or as a result of, exercise of appraisal rights and the settlement of any claims or action (whether actual, contingent or potential)), pursuant to or in connection with a consolidation, merger or transfer of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries, taken as a whole, that complies with the "*Merger and consolidation*" covenant; and
- (21) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), (i) (A) Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of (x) €35 million and (y) 33.6% of Consolidated EBITDA, *plus* (B) €6 million per annum, with any unused amounts in any fiscal year not carried over and (ii) any other Restricted Payment if the Consolidated Net Leverage Ratio on a *pro forma* basis after giving effect to such Restricted Payment does not exceed 3.50 to 1.00.

For purposes of determining compliance with this covenant, in the event that a Restricted Payment (or portion thereof) meets the criteria of more than one of the categories of Permitted Payments described in clauses (1) through (21) above, or is permitted pursuant to the first paragraph of this covenant and/or one or more of the clauses contained in the definition of "Permitted Investments", the Issuer will be entitled to classify such Restricted Payment or Investment (or portion thereof) on the date of its payment or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment or Investment (or portion thereof) in any manner that complies with this covenant, including in each case as an Investment pursuant to one or more of the clauses contained in the definition of "Permitted Investments" and may aggregate capacity in multiple clauses of the definition of "Permitted Payments" above, the first paragraph of this covenant and/or in the definition of "Permitted Investments" in any manner that complies with this covenant.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by an Officer or the Board of Directors of the Issuer acting in good faith, *provided* that any determination of the fair market value of a non-cash Restricted Payment in excess of €10 million shall be made solely by the Board of Directors of the Issuer.

## Limitation on Liens

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur or suffer to exist any Lien (other than Permitted Liens) upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Issuer), in each case whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "*Initial Lien*"), except (a) in the case of any property or asset that does not constitute Senior Subordinated Notes Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Senior Subordinated Notes and the Senior Subordinated Notes Indenture (or a Senior Subordinated Notes Guarantee in the case of Liens of a Senior Subordinated Notes Guarantor) are directly secured equally and ratably with, or, if such Indebtedness constitutes Senior Indebtedness, subordinated to, or, in the case of Liens with respect to Subordinated Indebtedness, prior to the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Senior Subordinated Notes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Senior Subordinated Notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "*Security—Release of Liens*".

## Limitation on restrictions on distributions from Restricted Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

- (A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock to the Issuer or pay any Indebtedness or other obligations owed to the Issuer;
- (B) make any loans or advances to the Issuer; or
- (C) sell, lease or transfer any of its property or assets to the Issuer;

*provided* that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

- (1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the New Revolving Credit Facility); or (b) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date, and any amendments, restatements, modifications, renewals, supplements, refunding, replacements or refinancings of those agreements referred to in clauses (a) and (b); *provided* that such amendments, restatements, modifications, renewals, supplements, refunding, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payments restrictions than those contained in those agreements on the Issue Date, as applicable (as determined in good faith by the Issuer);
- (2) any encumbrances or restrictions existing under or by reason of the Senior Subordinated Notes Indenture, the Senior Subordinated Notes, the Senior Subordinated Notes Guarantees, Senior Secured Notes Indenture, the Senior Secured Notes, the Senior Secured Notes Guarantees, the New Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents and the security documents with respect to the Senior Secured Notes;
- (3) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary or was designated a Restricted Subsidiary, or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or any Restricted Subsidiary or was

merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (3), if another Person is the Successor Company, any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Company;

- (4) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1), (2) or (3) of this paragraph or this clause (4) (an "*Initial Agreement*") or contained in any amendment, supplement or other modification to an agreement referred to in clause (1), (2) or (3) of this paragraph or this clause (4); *provided, however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument (i) are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Issuer) or (ii) are customary in comparable financings and where, in the case of this sub-clause (ii), the Issuer determines at the time of Incurrence of such Indebtedness that such encumbrances or restrictions would not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Senior Subordinated Notes (as determined in good faith by the Issuer);
- (5) any encumbrance or restriction:
  - (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;
  - (b) contained in mortgages, pledges or other security agreements permitted under the Senior Subordinated Notes Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Senior Subordinated Notes Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to 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;
- (6) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Senior Subordinated Notes Indenture, in each case, that impose encumbrances or restrictions on the property so acquired or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;
- (7) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;
- (8) provisions in leases, licenses, joint venture agreements and other similar agreements and instruments;
- (9) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;
- (10) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;
- (11) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;
- (12) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the "*—Limitation on Indebtedness*" covenant (other than any refinancing of Indebtedness which is subject to clause (4) above) (i) 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 Senior Subordinated Notes (in the good faith determination of the Issuer) than the encumbrances and restrictions contained in the New Revolving Credit Facility, the Senior Subordinated Notes, the Senior Subordinated Notes Indenture, the Senior Secured Notes, the Senior Secured Notes Indenture, the Security Documents, the security documents with respect to the Senior Secured Notes and the New Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) where the Issuer determines at the time of issuance of such Indebtedness that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Senior Subordinated Notes as and when they become due or (b) constituting an Additional Intercreditor Agreement;

- (13) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of an Officer or the Board of Directors of the Issuer, are necessary or advisable to effect such Qualified Receivables Financing; or
- (14) any encumbrance or restriction existing by reason of any lien permitted under "*Limitation on Liens*".

### **Limitation on sales of assets and subsidiary stock**

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

- (1) the Issuer or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) 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 an Officer or the Board of Directors of the Issuer, of the shares and/or assets subject to such Asset Disposition (including, and for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap); and
- (2) in any such Asset Disposition, or series of related Asset Dispositions (except to the extent the Asset Disposition is a Permitted Asset Swap), at least 75% of the consideration from such Asset Disposition (excluding any consideration by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise, other than Indebtedness) received by the Issuer or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments.

After the receipt of Net Available Cash from an Asset Disposition, the Issuer (or the applicable Restricted Subsidiary, as the case may be) may apply an amount equal to such Net Available Cash (at the option of the Issuer or Restricted Subsidiary):

- (a) (i) to prepay, repay, purchase or redeem any Senior Indebtedness of the Issuer or a Restricted Subsidiary; (ii) to prepay, repay, purchase or redeem *Pari Passu* Indebtedness that is secured in whole or in part by a Lien on the Senior Subordinated Notes Collateral which Lien ranks *pari passu* with the Liens securing the Senior Subordinated Notes and the Senior Subordinated Notes Guarantees at a price of no more than 100% of the principal amount of such *Pari Passu* Indebtedness *plus* accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption so long as the Issuer or such Restricted Subsidiary makes an offer on a *pro rata* basis to all Holders of the Senior Subordinated Notes at a purchase price equal to 100% of the principal amount of the Senior Subordinated Notes, *plus* accrued and unpaid interest thereon and Additional Amounts, if any, to (but not including) the date of purchase; (iii) to prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary of the Issuer that is not a Senior Subordinated Notes Guarantor or any Indebtedness that is secured on assets which do not constitute Senior Subordinated Notes Collateral (in each case, other than Subordinated Indebtedness of the Issuer or a Senior Subordinated Notes Guarantor or Indebtedness owed to the Issuer or any Restricted Subsidiary); or (iv) to purchase the Senior Subordinated Notes pursuant to an offer to all Holders of Senior Subordinated Notes at a purchase price in cash equal to at least 100% of the principal amount of the Senior Subordinated Notes, *plus* accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date);

- (b) to the extent the Issuer or such Restricted Subsidiary elects, to invest in or purchase or commit to invest in or purchase Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Issuer or any Restricted Subsidiary of the Issuer) within 365 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided, however*, that any such reinvestment in Additional Assets made pursuant to a definitive binding agreement or pursuant to a commitment approved by the Board of Directors of the Issuer that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 180 days of such 365th day;
- (c) to make a capital expenditure within 365 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash; *provided, however*, that any such capital expenditure made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors of the Issuer that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 180 days of such 365th day; or
- (d) any combination of the foregoing;

*provided that*, pending the final application of any such Net Available Cash in accordance with clause (a), (b), (c) or (d) above, the Issuer and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Senior Subordinated Notes Indenture.

If an amount less than the Net Available Cash from Asset Dispositions is applied or invested or committed to be applied or invested as provided in the preceding paragraph, an amount equal to the difference will be deemed to constitute "*Excess Proceeds*". On the 366th day (or the 546th day, in the case of any Net Available Cash committed to be used pursuant to a definitive binding agreement or commitment approved by the Board of Directors of the Issuer pursuant to clauses (b) or (c) of the second paragraph of this covenant), after the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash, if the aggregate amount of Excess Proceeds exceeds €20 million, the Issuer will be required within ten Business Days thereof to make an offer ("*Asset Disposition Offer*") to all Holders of Senior Subordinated Notes and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of Senior Subordinated Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Senior Subordinated Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Senior Subordinated Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, *plus* accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Senior Subordinated Notes Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, and in the case of the Senior Subordinated Notes, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The Issuer or a Restricted Subsidiary, as the case may be, may make an Asset Disposition Offer prior to the expiration of the 365-day period mentioned above.

To the extent that the aggregate amount of Senior Subordinated 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 Senior Subordinated Notes Indenture. If the aggregate principal amount of the Senior Subordinated Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Senior Subordinated Notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Senior Subordinated Notes and Pari Passu Indebtedness, or by such other method as (i) the Senior Subordinated Notes Trustee and (ii) the trustee, agent or similar representative of such Pari Passu Indebtedness, after consultation with the Issuer, deem fair and appropriate (and in such manner as complies with applicable legal, depositary and exchange requirements). For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset

Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero. The Senior Subordinated Notes Trustee shall not have any liability in connection with any method elected under this paragraph.

To the extent that any portion of Net Available Cash payable in respect of the Senior Subordinated Notes is denominated in a currency other than the currency in which the relevant Senior Subordinated Notes are denominated, the amount thereof payable in respect of such Senior Subordinated Notes shall not exceed the net amount of funds in the currency in which such Senior Subordinated Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, in so far as it relates to the Senior Subordinated Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "*Asset Disposition Offer Period*"). No later than five (5) Business Days after the termination of the Asset Disposition Offer Period (the "*Asset Disposition Purchase Date*"), the Issuer will purchase the principal amount of Senior Subordinated Notes and, to the extent it elects, Pari Passu Indebtedness required to be purchased by it pursuant to this covenant (the "*Asset Disposition Offer Amount*") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Senior Subordinated Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Senior Subordinated Notes and Pari Passu Indebtedness or portions of Senior Subordinated 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 Senior Subordinated Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and, in the case of the Senior Subordinated Notes, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Senior Subordinated Notes Trustee an Officer's Certificate stating that such Senior Subordinated Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder of Senior Subordinated Notes an amount equal to the purchase price of the Senior Subordinated Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Senior Subordinated Note (or amend the applicable Global Note), and the Senior Subordinated Notes Trustee, upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Senior Subordinated Note to such Holder, in a principal amount equal to any unpurchased portion of the Senior Subordinated Note surrendered; *provided* that each such new Senior Subordinated Note will be in a principal amount with a minimum denomination of €100,000 and in integral multiples of €1,000 in excess thereof. Any Senior Subordinated Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the Holder thereof.

For the purposes of clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

- (1) the assumption by the transferee of Indebtedness of the Issuer or other liabilities (other than contingent liabilities) recorded on the balance sheet of the Issuer (other than Subordinated Indebtedness of the Issuer) or Indebtedness of a Restricted Subsidiary or other liabilities (other than contingent liabilities) recorded on the balance sheet of such Restricted Subsidiary and the release of the Issuer or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition;
- (2) securities, notes or other obligations received by the Issuer or any Restricted Subsidiary of the Issuer from the transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition;
- (3) 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 Restricted Subsidiary of the Issuer are released from any Senior Subordinated Notes Guarantee of payment of such Indebtedness in connection with such Asset Disposition;



- (4) consideration consisting of Indebtedness of the Issuer or any Senior Subordinated Notes Guarantor (other than Subordinated Indebtedness) received after the Issue Date from Persons who are not the Issuer or any Restricted Subsidiary; and
- (5) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary in such Asset Dispositions having an aggregate fair market value, as determined in good faith by an Officer or the Board of Directors of the Issuer, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed the greater of (x) €10 million and (y) 9.6% of Consolidated EBITDA (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).

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Senior Subordinated Notes pursuant to the Senior Subordinated Notes Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Senior Subordinated Notes Indenture by virtue of any conflict.

### **Limitation on Affiliate Transactions**

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (any such transaction or series of related transactions being "*Affiliate Transactions*") involving aggregate value in excess of €5 million unless:

- (1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's length dealings with a Person who is not such an Affiliate; and
- (2) in the event such Affiliate Transaction involves an aggregate value in excess of €10 million, the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the members of the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above.

The provisions of the preceding paragraph will not apply to:

- (1) any Restricted Payment permitted to be made pursuant to the "*—Limitation on Restricted Payments*" covenant, any Permitted Payments or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b) and (2) of the definition thereof);
- (2) any issuance or sale of Capital Stock, options, other equity related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary, any Parent Entity or any Holding AA Entity, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business;
- (3) any Management Advances and any waiver or transaction with respect thereto;
- (4) any transaction between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries or any Receivables Subsidiary;
- (5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary of the Issuer or any Parent

Entity (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

- (6) the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect in the good faith judgment of the Issuer and the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering; *provided* that such performance does not involve the payment of fees or commissions to Affiliates and does not involve the payment of underwriting fees, commissions or discounts on behalf of shares sold by Affiliates;
- (7) [Reserved];
- (8) transactions with customers, clients, suppliers or purchasers, sellers of goods or services or franchisees, in each case in the ordinary course of business (including, without limitation, pursuant to joint venture arrangements), which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an Officer of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;
- (9) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;
- (10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the Issuer in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Senior Subordinated Notes Indenture, the New Intercreditor Agreement and any Additional Intercreditor Agreement, as applicable;
- (11) without duplication in respect of payments made pursuant to clause (12) hereof, (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent Entity or any Holding AA Entity) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount, not to exceed €4 million per fiscal year and (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent Entity or any Holding AA Entity) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions, divestitures or joint ventures, which payments in respect of this clause (b) are approved in good faith by a majority of disinterested members of the Board of Directors of the Issuer;
- (12) payment to any Permitted Holder of all reasonable out of pocket expenses Incurred by such Permitted Holder in connection with its direct or indirect investment in the Issuer and its Subsidiaries;
- (13) any transaction effected as part of a Qualified Receivables Financing;
- (14) any transactions for which the Issuer or a Restricted Subsidiary delivers to the Senior Subordinated Notes Trustee a letter from an Independent Financial Advisor stating that such transaction is (i) fair to the Issuer or such Restricted Subsidiary from a financial point of view or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate;
- (15) the Transactions; and
- (16) any Permitted Reorganization.

## Maintenance of listing

The Issuer will use its commercially reasonable efforts to list, and maintain the listing, of the Senior Subordinated Notes on the Global Exchange Market of Euronext Dublin for so long as such Senior Subordinated Notes are outstanding; *provided* that if at any time the Issuer determines that it will not so list or maintain such listing, it will use its commercially reasonable efforts to obtain (prior to the delisting of the Senior Subordinated Notes, if applicable) and maintain a listing on another recognized stock exchange.

## Limitation on Issuer activities

The Issuer shall not carry on any material business or own any material assets or incur any indebtedness other than:

- (1) the ownership of shares or other debt or equity interests in 3AB Optique Développement or in any of its Successor Company or surviving Person as a result of a consolidation, merger, Permitted Reorganization or any transaction permitted by the "—Merger and consolidation—The Senior Subordinated Notes Guarantors" covenant and the Senior Subordinated Notes Indenture;
- (2) the provision of administrative services, legal, accounting and management services to its Subsidiaries of a type customarily provided by a holding company to its Subsidiaries and the ownership of assets necessary to provide such services;
- (3) (a) the pledging of assets permitted to be or not prohibited from being secured pursuant to the Senior Subordinated Notes Indenture or the Senior Secured Notes Indenture, (b) the Incurrence of Liens that are described in the definition of "Permitted Liens" and (c) granting the relevant Liens under the Security Documents and security documents with respect to the Senior Secured Notes;
- (4) (i) (A) liabilities and performance of obligations and exercise of rights under the Senior Subordinated Notes, its Senior Subordinated Notes Guarantee, the Senior Subordinated Notes Indenture, Senior Secured Notes, its Senior Secured Notes Guarantee, the Senior Secured Notes Indenture, the New Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents, the security documents with respect to the Senior Secured Notes, the New Revolving Credit Facility or Hedging Obligations and (B) liabilities and performance of obligations and exercise of rights under Guarantees given it to guarantee any Indebtedness of the Issuer or any of its Restricted Subsidiaries permitted to be Incurred under the Senior Subordinated Notes Indenture or the Senior Secured Notes Indenture and subject to the terms of the New Intercreditor Agreement and (ii) (A) Incurring any Indebtedness permitted or not prohibited by the Senior Subordinated Notes Indenture, the Senior Secured Notes Indenture and the New Intercreditor Agreement or any Additional Intercreditor Agreement and (B) other liabilities and performance of obligations and exercise of rights under any Indebtedness permitted or not prohibited to be Incurred under the Senior Subordinated Notes Indenture or the Senior Secured Notes Indenture;
- (5) the ownership of cash, Cash Equivalents and Temporary Cash Investments;
- (6) *[Reserved]*;
- (7) pursuant to or in connection with the Transactions;
- (8) entry into and performance of obligations in respect of (i) contracts and agreements with its officers, directors and employees, (ii) subscription or purchase agreements for securities and/or preferred equity certificates, public offering rights agreements, voting and other stockholder agreements, engagement letters, underwriting agreements, agreements with rating agencies and other agreements in respect of its securities or any offering, issuance or sale thereof, (iii) engagement letters and reliance letters in respect of legal, accounting and other advice and/or reports received and/or commissioned by it, in each case, in relation to transactions which are authorized or not otherwise prohibited by the Senior Subordinated Notes Indenture or the Senior Secured Notes Indenture and (iv) Indebtedness owed by or to any Parent Entity, Subsidiary or Permitted Holder;
- (9) paying dividends, making distributions and other payments and making loans or advances to shareholders (and the receipt of repayments of any loans or advances) and pledging of assets to the extent not otherwise prohibited under the New Intercreditor Agreement, any Additional

Intercreditor Agreement, the Security Documents and the security documents with respect to the Senior Secured Notes;

- (10) (i) the listing of its Capital Stock or convertible bonds and the issuance, offering and sale of its Capital Stock or convertible bonds (including in a Public Offering), including compliance with applicable regulatory and other obligations in connection therewith, (ii) using the net cash proceeds of such issuance, or exchanging or converting such instruments, to fund the purchase, repurchase or redemption of, any Indebtedness or other equity or debt instrument of any Parent Entity or the Issuer, or to contribute to the common equity of its direct Subsidiaries, to the extent permitted or not otherwise prohibited by the Senior Subordinated Notes Indenture, the Senior Secured Notes Indenture, the relevant Security Documents and the relevant security documents with respect to the Senior Secured Notes; and (iii) any purchase, repurchase, redemption, or the performance of the terms and conditions of, and exercise of rights in respect of, the foregoing, to the extent such activities are otherwise permitted or not otherwise prohibited by the Senior Subordinated Notes Indenture, the Senior Secured Notes Indenture, the relevant Security Documents and the relevant security documents with respect to the Senior Secured Notes, in each case, in relation to transactions authorized or not otherwise prohibited by the Senior Subordinated Notes Indenture or the Senior Secured Notes Indenture;
- (11) the performance of obligations and exercise of rights under contracts or arrangements (including loans and bonds and other indebtedness) with any Permitted Holder, any Parent Entity, any Holding AA Entity or any Subsidiary entered into in compliance with the Secured Notes Indenture or the Senior Secured Notes Indenture;
- (12) the undertaking of a Permitted Reorganization;
- (13) activities specifically permitted in connection with a Permitted Investment, other than the ownership of shares or other debt or equity interests in any entity other than 3AB Optique Développement or any of its Successor Company or surviving Person as a result of a consolidation, merger, Permitted Reorganization or any transaction permitted by the "*—Merger and consolidation—The Senior Subordinated Notes Guarantors*" covenant and the Senior Subordinated Notes Indenture;
- (14) other activities not specifically enumerated above that are incidental to the foregoing or are *de minimis* in nature or consistent with activities undertaken on the Issue Date; or
- (15) from time to time, receipt in a transaction otherwise permitted under the Senior Subordinated Notes Indenture, the Senior Secured Notes Indenture, the Security Documents or the security documents with respect to the Senior Secured Notes of properties and assets (including cash, Cash Equivalents, Temporary Cash Investments, shares of Capital Stock of another Person and/or Indebtedness and other obligations) for the purpose of transferring such properties and assets to any Parent Entity, any Subsidiary or any other Person, so long as in any case such further transfer is made promptly by the Issuer.

## Reports

For so long as any Senior Subordinated Notes are outstanding, the Issuer will provide to the Senior Subordinated Notes Trustee the following reports:

- (1) within 120 days after the end of each fiscal year of the Issuer beginning with the year ending July 31, 2021, annual reports containing, to the extent applicable, the following information: (a) audited consolidated balance sheets 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 three most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) unaudited *pro forma* income statement information and balance sheet information of the Issuer (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year; (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Issuer, and a discussion of material commitments and contingencies and critical accounting policies; (d) description of the business, management and shareholders of the Issuer, all material affiliate transactions and a description of all material

contractual arrangements, including material debt instruments; and (e) a description of material risk factors and material recent developments;

- (2) within 60 days following the end of the first three fiscal quarters in each fiscal year of the Issuer beginning with the quarter ending April 30, 2021, all quarterly reports of the Issuer 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 most recent year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods, together with condensed footnote disclosure; (b) unaudited *pro forma* income statement information and balance sheet information, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the relevant fiscal quarter (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available); (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, EBITDA and material changes in liquidity and capital resources, and a discussion of material changes not in the ordinary course of business in commitments and contingencies since the most recent report; and (d) material recent developments and any material changes to the risk factors disclosed in the most recent annual report; and
- (3) promptly after the occurrence of any material acquisition, disposition or restructuring, merger or similar transaction, or any change in the Chief Executive Officer, the Chief Financial Officer or the Chairman of the Supervisory Board 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.

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. generally accepted accounting principles. Except as provided for above, no report need include separate financial statements for the Issuer or Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in the Offering Memorandum. In addition, no financial information required pursuant to clause (1) above need be audited if not presented on an audited basis by the Issuer in its financial statements included in the Offering Memorandum.

At any time that any of the Issuer's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary of the Issuer, then the annual and quarterly financial information required by the first two clauses of this covenant shall include either (i) a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Group separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer or (ii) standalone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries (as a group or otherwise) together with an unaudited reconciliation to the financial information of the Issuer and its Subsidiaries, which reconciliation shall include the following items: revenue, EBITDA, net income, cash, total assets, total debt, shareholders equity, capital expenditures and interest expense.

Notwithstanding the foregoing, the Issuer may satisfy its obligations under clauses (1) and (2) of the first paragraph of this covenant by delivering the corresponding consolidated annual and quarterly reports of any Parent Entity or any new holding company created following a Permitted Reorganization.

Substantially concurrently with the issuance to the Senior Subordinated Notes Trustee of the reports specified in (1), (2) and (3) above, the Issuer shall also (a) use its commercially reasonable efforts (i) to post copies of such reports on such website as may be then maintained by the Issuer and its Subsidiaries or (ii) otherwise to provide substantially comparable public availability of such reports (as determined by the Issuer in good faith) or (b) to the extent the Issuer determines in good faith that it cannot make such reports available in the manner described in the preceding clause (a) owing to applicable law or after the use of its commercially reasonable efforts, furnish such reports to the Holders and, upon their request, prospective purchasers of the Senior Subordinated Notes. In the event that (i) the Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange

Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13 (a) with the SEC or (ii) the Issuer elects to provide to the Senior Subordinated Notes Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of IFRS information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will make available to the Senior Subordinated Notes Trustee such annual reports, information, documents and other reports that the Issuer is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding five paragraphs.

For so long as the Senior Subordinated Notes are listed on the Official List of Euronext Dublin for trading on the Global Exchange Market, and the rules of that exchange so require, copies of the Issuer's organizational documents and the Senior Subordinated Notes Indenture and the most recent consolidated financial statements published by the Issuer may be inspected and obtained at the office of the Paying Agent in Ireland. See "*Listing and general information*".

In addition, so long as the Senior Subordinated Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Issuer shall furnish to the Holders and, upon their request, prospective purchasers of the Senior Subordinated Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

In the event that, and for so long as, the equity securities of the Issuer or any Parent Entity are listed on the regulated market of Euronext Paris (or one of the equivalent regulated markets in the EU or the UK) and the Issuer or such Parent Entity is subject to the Admission and Disclosure Standards applicable to issuers of equity securities admitted to trading on the regulated market of Euronext Paris (or the equivalent standards applicable to issuers of equity securities admitted to trading on one or more of the equivalent regulated markets in the EU or the UK), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer or such Parent Entity is, or would be, required to file with Euronext Paris pursuant to such Admission and Disclosure Standards (or the applicable standards of one or more of the equivalent regulated markets in the EU or the UK, as applicable). Upon complying with the foregoing requirements, and provided, that such requirements require the Issuer or any Parent Entity to prepare and file annual reports, information, documents and other reports with the regulated market of Euronext Paris, or one or more of the equivalent regulated markets in the EU or the UK, as applicable, and provided that the Issuer or such Parent Entity additionally provides the reports set forth in paragraph (2) above with respect to its first and third fiscal quarters, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

## **Merger and consolidation**

### *The Issuer*

The Issuer will not consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person, unless:

- (1) the resulting, surviving or transferee Person (the "*Successor Company*") (if not the Issuer) will be a Person organized and existing under the laws of any member state of the Pre-Expansion European Union, Switzerland, Canada or the United States of America, any State of the United States or the District of Columbia and the Successor Company (if not the Issuer) will expressly assume, (a) by supplemental indenture, executed and delivered to the Senior Subordinated Notes Trustee, in form reasonably satisfactory to the Senior Subordinated Notes Trustee, all the obligations of the Issuer under the Senior Subordinated Notes and the Senior Subordinated Notes Indenture and (b) all obligations of the Issuer under the New Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;
- (2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

- (3) immediately after giving effect to such transaction, either (a) the Successor Company would be able to incur at least an additional €1.00 of Indebtedness pursuant to the first paragraph of the "*Limitation on Indebtedness*" covenant or (b) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such transaction; and
- (4) the Issuer shall have delivered to the Senior Subordinated Notes Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Senior Subordinated Notes Indenture and that all conditions precedent in the Senior Subordinated Notes Indenture relating to such consolidation, merger or transfer have been satisfied 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 and that all conditions precedent in the Senior Subordinated Notes Indenture relating to such consolidation, merger or transfer have been satisfied (in each case, in form and substance reasonably satisfactory to the Senior Subordinated Notes Trustee); *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

Any Indebtedness that becomes an obligation of the Issuer or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the "*Limitation on Indebtedness*" covenant.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of the Issuer under the Senior Subordinated Notes Indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Senior Subordinated Notes Indenture or the Senior Subordinated Notes.

Notwithstanding the preceding clauses (2) and (3) (which do not apply to transactions referred to in this sentence) and, other than with respect to the second preceding paragraph, notwithstanding clause (4) of the first paragraph of this covenant (which does not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary of the Issuer may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Issuer and (b) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary that is a Senior Subordinated Notes Guarantor and (c) any Restricted Subsidiary that is not a Senior Subordinated Notes Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary that is not a Senior Subordinated Notes Guarantor. Notwithstanding the preceding clause (3) (which does not apply to the transactions referred to in this sentence), the Issuer may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Issuer, reincorporating the Issuer in another jurisdiction, or changing the legal form of the Issuer.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this "*Merger and consolidation*" covenant) shall not apply to the creation of a new subsidiary as a Restricted Subsidiary of the Issuer.

#### *The Senior Subordinated Notes Guarantors*

None of the Senior Subordinated Notes Guarantors (other than a Senior Subordinated Notes Guarantor whose Senior Subordinated Notes Guarantee is to be released in accordance with the terms of the Senior Subordinated Notes Indenture or the New Intercreditor Agreement) may:

- (1) consolidate with or merge with or into any Person (whether or not such Senior Subordinated Notes Guarantor is the surviving corporation),

- (2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person, or
- (3) permit any Person to merge with or into it unless
  - (A) the other Person is the Issuer or any Restricted Subsidiary that is a Senior Subordinated Notes Guarantor or becomes a Senior Subordinated Notes Guarantor; or
  - (B) (1) either (x) a Senior Subordinated Notes Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Senior Subordinated Notes Guarantor under its Senior Subordinated Notes Guarantee and the Senior Subordinated Notes Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Senior Subordinated Notes Trustee) and all obligations of the Senior Subordinated Notes Guarantor under the New Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents to which it is a party; and (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or
  - (C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Senior Subordinated Notes Guarantor or the sale or disposition of all or substantially all the assets of a Senior Subordinated Notes Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Senior Subordinated Notes Indenture and the proceeds therefrom are applied as required by the Senior Subordinated Notes Indenture.

Notwithstanding the preceding clause (B)(2) (which does not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to a Senior Subordinated Notes Guarantor or the Issuer and (b) any Senior Subordinated Notes Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Senior Subordinated Notes Guarantor or the Issuer.

Notwithstanding anything to the contrary contained herein, this "*Merger and consolidation*" covenant will not apply to any transaction or arrangement that is a Permitted Reorganization.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

### **Suspension of covenants on achievement of investment grade status**

If on any date following the Issue Date, the Senior Subordinated Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "*Suspension Event*"), then, the Issuer shall notify the Senior Subordinated Notes Trustee in writing of these events and beginning on that day and continuing until such time, if any, at which the Senior Subordinated Notes cease to have Investment Grade Status (the "*Reversion Date*"), the provisions of the Senior Subordinated Notes Indenture summarized under the following captions will not apply to the Senior Subordinated Notes: "*Limitation on Restricted Payments*", "*Limitation on Indebtedness*", "*Limitation on restrictions on distributions from Restricted Subsidiaries*", "*Limitation on Affiliate Transactions*", "*Limitation on sales of assets and subsidiary stock*", "*Impairment of Security Interest*" and the provisions of clause (3) of the first paragraph of the "*Merger and consolidation*" covenant and, in each case, any related default provision of the Senior Subordinated Notes Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries. Upon the occurrence of a Suspension Event, the amount of Excess Proceeds shall be reset to zero.

Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer or any of its Restricted Subsidiaries properly taken during the continuance of the Suspension Event, and (i) the "*Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Senior Subordinated Notes Indenture



other than during the period beginning with the Suspension Event and ending on the Reversion Date, (ii) any transactions prohibited by the "*—Limitation on Affiliate Transactions*" covenant entered into after such reinstatement pursuant to an agreement entered into during the continuance of the Suspension Event shall be deemed to be permitted pursuant to clause (6) of the second paragraph of the "*—Limitation on Affiliate Transactions*" covenant, (iii) any encumbrance or restriction on the ability of the Issuer or any Restricted Subsidiary to take any action described in clauses (A), (B) and (C) of the first paragraph of the "*—Limitation on restrictions on distributions from Restricted Subsidiaries*" covenant that becomes effective during any Suspension Period shall be deemed to be permitted pursuant to clause (1) or (12) of the second paragraph of the "*—Limitation on restrictions on distributions from Restricted Subsidiaries*" covenant and (iv) all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Issuer's option, as having been Incurred pursuant to the first paragraph of the "*—Limitation on Indebtedness*" covenant or one of the clauses set forth in the second paragraph of such covenant (to the extent such Indebtedness would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to the Indebtedness Incurred prior to the Suspension Event and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred under the first two paragraphs of the "*—Limitation on Indebtedness*" covenant, such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the "*—Limitation on Indebtedness*" covenant. The Senior Subordinated Notes Trustee shall not be obliged to notify holders of a Suspension Event or Reversion Date.

### **Impairment of Security Interest**

The Issuer and any other Senior Subordinated Notes Guarantor shall not, and the Issuer shall not permit any Restricted Subsidiary to, take or omit to take any action that would have the result of materially impairing the Security Interest with respect to the Senior Subordinated Notes Collateral (it being understood that the Incurrence of Liens on the Senior Subordinated Notes Collateral permitted by the definition of "Permitted Collateral Liens" and the implementation of any Permitted Reorganization shall under no circumstances be deemed to materially impair the Security Interest with respect to the Senior Subordinated Notes Collateral); and the Issuer and any other Senior Subordinated Notes Guarantor shall not, and the Issuer shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Senior Subordinated Notes Trustee and the Holders and/or the other beneficiaries described in the Security Documents and the New Intercreditor Agreement or any Additional Intercreditor Agreement, any Lien in any of the Senior Subordinated Notes Collateral; *provided that* (a) the Issuer and the Issuer's Restricted Subsidiaries may Incur Permitted Collateral Liens or implement any Permitted Reorganization and (b) the Senior Subordinated Notes Collateral may be discharged, amended, extended, renewed, restated, supplemented, replaced or released in accordance with the Senior Subordinated Notes Indenture, the applicable Security Documents and the New Intercreditor Agreement or any Additional Intercreditor Agreement; *provided, however*, that, subject to the foregoing proviso, the Security Documents may be amended, extended, renewed, restated or otherwise modified or replaced to (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) provide for Permitted Collateral Liens or implement any Permitted Reorganization; (iii) amend, extend, renew, restate, supplement, release or otherwise modify or replace any Security Documents, for the purposes of undertaking a Permitted Reorganization; (iv) provide for the release of any Security Interest on any properties and assets constituting Senior Subordinated Notes Collateral from the Lien of the Security Documents; *provided that* such release is followed by the substantially concurrent retaking of a Lien of at least equivalent priority over the same properties and assets securing the Senior Subordinated Notes or any Senior Subordinated Notes Guarantee; (v) add to the Senior Subordinated Notes Collateral; (vi) comply with the terms of the New Intercreditor Agreement or any Additional Intercreditor Agreement; (vii) evidence the succession of another Person to the Issuer or a Senior Subordinated Notes Guarantor and the assumption by such successor of the obligations under the Senior Subordinated Notes Indenture, the Senior Subordinated Notes, the applicable Senior Subordinated Notes Guarantee and the Security Documents, in each case, in accordance with the "*—Merger and consolidation*" covenant; or (viii) evidence and provide for the acceptance of the appointment of a successor trustee or Security Agent; *provided that*, contemporaneously with any such action in clauses (ii) and (iii), the Issuer delivers to the Senior Subordinated Notes Trustee, (1) a solvency opinion, in form and substance reasonably satisfactory to the Senior Subordinated Notes Trustee from an Independent Financial Advisor confirming the solvency of the person granting such Security Interest, after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification, replacement or release, (2) a certificate from the Board of Directors of the relevant Person which confirms the solvency of the person granting such Security Interest after giving

effect to any transactions related to such amendment, extension, renewal, restatement, modification, replacement or release, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Senior Subordinated Notes Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification, replacement or release, the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, modified, replaced or released are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, modification, replacement or release. In the event that the Issuer complies with the requirements of this covenant, the Senior Subordinated Notes Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

#### **Additional Intercreditor Agreements**

The Senior Subordinated Notes Indenture will provide that, at the request of the Issuer, in connection with the Incurrence by the Issuer or any Restricted Subsidiary of any Designated Senior Indebtedness or any Indebtedness that is permitted to share the Senior Subordinated Notes Collateral pursuant to the definition of "Permitted Collateral Lien", the Issuer, the relevant Senior Subordinated Notes Guarantors, the Senior Subordinated Notes Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement, or a restatement, amendment or other modification of an existing intercreditor agreement (an "*Additional Intercreditor Agreement*"), on substantially the same terms as the New Intercreditor Agreement (or terms not materially less favorable to the Holders), including with respect to the subordination, payment blockage, limitation on enforcement and release of Senior Subordinated Notes Guarantees, priority and release of any Security Interest in respect of the Senior Subordinated Notes Collateral; *provided, further*, that such Additional Intercreditor Agreement will not impose any personal obligations on the Senior Subordinated Notes Trustee or the Security Agent or adversely affect the personal rights, duties, liabilities, powers, protections or immunities of the Senior Subordinated Notes Trustee and the Security Agent under the Senior Subordinated Notes Indenture or the New Intercreditor Agreement. For the avoidance of doubt, subject to the foregoing and the succeeding paragraph, any such Additional Intercreditor Agreement may provide for *pari passu* security interests in respect of any such Indebtedness (to the extent such Indebtedness is permitted to share the Senior Subordinated Notes Collateral pursuant to the definition of "Permitted Collateral Liens").

At the direction of the Issuer and without the consent of the Holders, the Senior Subordinated Notes Trustee and the Security Agent will from time to time enter into one or more amendments to the New Intercreditor Agreement or any Additional Intercreditor Agreement to: (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) add Senior Subordinated Notes Guarantors or other parties (such as representatives of new issuances of Indebtedness) thereto; (iii) further secure the Senior Subordinated Notes (including Additional Senior Subordinated Notes); (iv) make provision for equal and ratable grants of Liens on the Senior Subordinated Notes Collateral to secure Additional Senior Subordinated Notes or to implement any Permitted Collateral Liens; (v) to enable any Permitted Reorganization; (vi) subject to the preceding paragraph, to provide for additional Indebtedness (including with respect to any New Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Senior Subordinated Notes) to the extent permitted under the Senior Subordinated Notes Indenture) or any other obligations that are permitted by the terms of the Senior Subordinated Notes Indenture to be Incurred and secured by a Lien on the Senior Subordinated Notes Collateral on a senior, *pari passu* or junior basis with the Liens securing the Senior Subordinated Notes or the Senior Subordinated Notes Guarantees; (vii) add Restricted Subsidiaries to the New Intercreditor Agreement or an Additional Intercreditor Agreement; (viii) amend the New Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof; (ix) increase the amount of the Credit Facilities covered by any such agreement, the Incurrence of which is not prohibited by the Senior Subordinated Notes Indenture; or (x) make any other change thereto that does not adversely affect the rights of the Holders of the Senior Subordinated Notes in any material respect. The Issuer will not otherwise direct the Senior Subordinated Notes Trustee or the Security Agent to enter into any amendment to the New Intercreditor Agreement or, if applicable, any Additional Intercreditor Agreement, without the consent of the Holders of a majority in aggregate principal amount of the Senior Subordinated Notes then outstanding, except as otherwise permitted below under "*Amendments and waivers*", and the Issuer may only direct the Senior Subordinated Notes Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Senior Subordinated Notes Trustee or Security Agent or, in the opinion of the Senior Subordinated Notes

Trustee or Security Agent, adversely affect their respective rights, duties, liabilities, powers, protections or immunities under the Senior Subordinated Notes Indenture or the New Intercreditor Agreement or any Additional Intercreditor Agreement.

Each Holder of a Senior Subordinated Note, by accepting such Senior Subordinated Note, will be deemed to have:

- (1) appointed and authorized the Senior Subordinated Notes Trustee and the Security Agent from time to time to give effect to such provisions;
- (2) authorized each of the Senior Subordinated Notes Trustee and the Security Agent from time to time to become a party to any additional intercreditor arrangements described above;
- (3) agreed to be bound by such provisions and the provisions of any additional intercreditor arrangements described above; and
- (4) irrevocably appointed the Senior Subordinated Notes Trustee and the Security Agent to act on its behalf from time to time to enter into and comply with such provisions and the provisions of any additional intercreditor arrangements described above, in each case, without the need for the consent of the Holders.

The Senior Subordinated Notes Indenture will also provide that, in relation to the New Intercreditor Agreement or an Additional Intercreditor Agreement, the Senior Subordinated Notes Trustee (and the Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Senior Subordinated Notes thereby; *provided, however*, that such transaction would comply with the "*—Limitation on Restricted Payments*" covenant.

#### **Additional Senior Subordinated Notes Guarantees**

No Restricted Subsidiary (other than a Senior Subordinated Notes Guarantor) shall Guarantee the payment of, assume or in any manner become obligated under or with respect to any Indebtedness of the Issuer or a Senior Subordinated Notes Guarantor unless such Restricted Subsidiary is or becomes an Additional Senior Subordinated Notes Guarantor on the date on which such other Guarantee or Indebtedness is Incurred (or as soon as reasonably practicable thereafter) and, if applicable, executes and delivers to the Senior Subordinated Notes Trustee a supplemental indenture substantially in the form attached to the Senior Subordinated Notes Indenture pursuant to which such Restricted Subsidiary will provide an Additional Senior Subordinated Notes Guarantee (which Additional Senior Subordinated Notes Guarantee shall be senior to or *pari passu* with, or, if such Indebtedness constitutes Senior Indebtedness, subordinated to, such Restricted Subsidiary's Guarantee of such other Indebtedness).

Notwithstanding the foregoing paragraphs in this covenant,

- (1) an Additional Senior Subordinated Notes Guarantor's Additional Senior Subordinated Notes Guarantee shall not be required to the extent it could result in (A) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, transfer pricing rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (B) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); (C) any material cost, expense, liability or obligation (including with respect to any Taxes but excluding any obligation under the Senior Subordinated Notes Guarantee itself) that cannot be avoided by commercially reasonable measures available to the Issuer other than reasonable out of pocket expenses; or (D) any inconsistency with the Agreed Security Principles (but, in the case of (A), each of the Issuer and the Restricted Subsidiaries will use their commercially reasonable efforts to overcome the relevant legal limitation and will procure that the relevant Restricted Subsidiary undertakes all whitewash or similar procedures which are legally available to eliminate the relevant limit); and
- (2) for so long as it is not permissible under applicable law or regulation for a Restricted Subsidiary to become an Additional Senior Subordinated Notes Guarantor, such Restricted Subsidiary need not become an Additional Senior Subordinated Notes Guarantor (but, in such a case, each of the Issuer and the Restricted Subsidiaries will use their commercially reasonable efforts to overcome the relevant legal prohibition precluding the giving of the Guarantee and will

procure that the relevant Restricted Subsidiary undertakes all whitewash or similar procedures which are legally available to eliminate the relevant legal prohibition, and shall give such Guarantee at such time (and to the extent) that it thereafter becomes permissible).

The first paragraph of this covenant shall not apply to: (1) the granting by such Restricted Subsidiary of a Permitted Lien under circumstances which do not otherwise constitute the Guarantee of Indebtedness of the Issuer; (2) Guarantees by any Restricted Subsidiary of Indebtedness that refinance Indebtedness which benefited from a Guarantee by any Restricted Subsidiary Incurred in compliance with this covenant immediately prior to such refinancing; (3) Guarantees by any Restricted Subsidiary that existed at the time such Person became a Restricted Subsidiary if the Guarantee was not Incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary and the terms of such Guarantee prohibit the relevant Restricted Subsidiary from becoming an Additional Senior Subordinated Notes Guarantor; (4) Guarantees by any Restricted Subsidiary of Indebtedness Incurred under the New Revolving Credit Facility which are in effect on the Issue Date; (5) Guarantees given by any Restricted Subsidiary to a bank or trust company incorporated in any member state of the European Union as of the date of the Senior Subordinated Notes Indenture or any commercial banking institution that is a member of the U.S. Federal Reserve System (or any branch, Subsidiary or Affiliate thereof), in each case having combined capital and surplus and undivided profits of not less than €500 million, whose debt has a rating, at the time such Guarantee was given, of at least A or the equivalent thereof by S&P and at least A2 or the equivalent thereof by Moody's, in connection with the operation of cash management programs established for the Issuer's benefit or that of any Restricted Subsidiary and (6) the Senior Secured Notes Guarantees, including in respect of Additional Senior Secured Notes, which are in effect on the Issue Date.

Each such Guarantee will be limited as necessary to recognize certain defenses generally available to the Senior Subordinated Notes Guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Each Senior Subordinated Notes Guarantee shall be released in accordance with the provisions of the Senior Subordinated Notes Indenture and the New Intercreditor Agreement described under "*Senior Subordinated Notes Guarantees*" and "*Description of Certain Other Indebtedness and Other Arrangements—New Intercreditor Agreement*".

#### **LIMITATION ON ACTIONS WITH RESPECT TO THE 3AB OPTIQUE DÉVELOPPEMENT PROCEEDS LOAN**

(1) The Issuer shall not sell, assign or otherwise transfer or forgive or waive any principal amount of the 3AB Optique Développement Proceeds Loan (other than to secure the Senior Subordinated Notes, any Senior Subordinated Notes Guarantee or the Senior Subordinated Notes Indenture or to grant Permitted Collateral Liens);

(2) Neither the Issuer nor 3AB Optique Développement shall (i) amend the 3AB Optique Développement Proceeds Loan in a manner adverse in any material respect to the Holders (as determined in good faith by the Issuer), other than any amendment to the interest terms including the interest rates payable thereunder or (ii) shorten the maturity of the 3AB Optique Développement Proceeds Loan to a date prior to the Stated Maturity of the Senior Subordinated Notes unless the maturity of the corresponding Senior Subordinated Notes is also similarly shortened; *provided* that any amendment to the 3AB Optique Développement Proceeds Loan shall be permitted from time to time to align the redemption provisions, maturity, covenants or any other terms thereof to the corresponding terms of the Senior Subordinated Notes initially issued on the Issue Date (as may be amended, supplemented or otherwise modified from time to time); and

(3) The Issuer shall not receive or accept any repayment or prepayment of principal in respect of the 3AB Optique Développement Proceeds Loan prior to its maturity or convert the 3AB Optique Développement Proceeds Loan into equity of 3AB Optique Développement or otherwise reduce the outstanding principal amount thereof except to pay interest, premium or Additional Amounts with respect to the Senior Subordinated Notes or the Senior Secured Notes or to facilitate or accommodate or reflect a repayment, redemption or repurchase of outstanding Senior Subordinated Notes or Senior Secured Notes; *provided* that the amount of any such repayment, prepayment, conversion or reduction of principal amount of the 3AB Optique Développement Proceeds Loan shall be no greater than the interest, premium, Additional Amounts or principal amount of any corresponding Senior Subordinated Notes or the Senior Secured Notes being paid, repaid, redeemed or prepaid.

Notwithstanding the foregoing, the 3AB Optique Développement Proceeds Loan may be canceled, forgiven or otherwise repaid, released or discharged upon:

- (a) a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of 3AB Optique Développement (whether by direct sale or sale of a holding company), if the sale or other disposition does not violate the Senior Subordinated Notes Indenture and 3AB Optique Développement ceases to be a Restricted Subsidiary as a result of the sale or other disposition;
- (b) the sale or disposition of all or substantially all the assets of 3AB Optique Développement (other than to the Issuer or any of its Restricted Subsidiaries), if the sale or other disposition does not violate the Senior Subordinated Notes Indenture;
- (c) [Reserved];
- (d) defeasance or discharge of the Senior Subordinated Notes, as provided in “—*Defeasance*” and “—*Satisfaction and discharge*”;
- (e) in accordance with the provisions of the New Intercreditor Agreement or any Additional Intercreditor Agreement;
- (f) as described under “—*Amendments and waivers*”;
- (g) as a result of a transaction permitted by “—*Merger and consolidation*”; and
- (h) to the extent such cancellation, forgiveness, repayment, release or discharge, whether by capitalization or otherwise, is necessary to pay any applicable Taxes or to comply with applicable tax regulations regarding the deductibility of interest expense (as determined in good faith by the Board of Directors or a member of senior management of the Issuer).

The Senior Subordinated Notes Trustee and the Security Agent shall take all necessary actions reasonably requested by the Issuer, including the granting of releases or waivers under the New Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any repayment or release of the 3AB Optique Développement Proceeds Loan in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Senior Subordinated Notes Trustee and the Security Agent without the consent (except to the extent required under clause (f) above) of or liability to the Holders or any other action or consent on the part of the Senior Subordinated Notes Trustee or the Security Agent.

#### **PAYMENTS FOR CONSENT**

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Senior Subordinated Notes for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Senior Subordinated Notes Indenture or the Senior Subordinated Notes unless such consideration is offered to be paid and is paid to all Holders of the Senior Subordinated Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Issuer and its Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Senior Subordinated Notes Indenture or the Senior Subordinated Notes, to exclude holders of Senior Subordinated Notes in any jurisdiction where (a) the solicitation of such consent, waiver or amendment, including in connection with an offer to purchase for cash, or (b) the payment of the consideration therefor would require the Issuer or any of its Restricted Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states), which the Issuer in its sole discretion determines (acting in good faith) (x) 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 (y) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

#### **EVENTS OF DEFAULT**

Each of the following is an “*Event of Default*” under the Senior Subordinated Notes Indenture:

- (1) default in any payment of interest on any Senior Subordinated Note issued under the Senior Subordinated Notes Indenture when due and payable, continued for 30 days, whether or not prohibited by the subordination provisions of the Senior Subordinated Notes Indenture or the New Intercreditor Agreement;
- (2) default in the payment of the principal amount of or premium, if any, on any Senior Subordinated Note issued under the Senior Subordinated Notes Indenture when due at its stated maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise, whether or not prohibited by the subordination provisions of the Senior Subordinated Notes Indenture or the New Intercreditor Agreement;
- (3) failure by the Senior Subordinated Notes Guarantors, the Issuer or any of its Restricted Subsidiaries to comply for 30 days after notice by the Senior Subordinated Notes Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Senior Subordinated Notes with any of its obligations under "*—Change of Control*" above or under the covenants described under "*—Certain covenants*" above (in each case, other than a failure to purchase Senior Subordinated Notes which will constitute an Event of Default under clause (2) above);
- (4) failure by the Issuer or any of its Restricted Subsidiaries to comply for 60 days after notice by the Senior Subordinated Notes Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Senior Subordinated Notes with its other agreements contained in the Senior Subordinated Notes Indenture, the New Intercreditor Agreement, any Additional Intercreditor Agreement and Security Documents;
- (5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Issuer or any of its Restricted Subsidiaries) other than Indebtedness owed to the Issuer or a Restricted Subsidiary whether such Indebtedness or Senior Subordinated Notes Guarantee now exists, or is created after the Issue Date, which default:
  - (a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("*payment default*"); or
  - (b) results in the acceleration of such Indebtedness prior to its maturity (the "*cross acceleration provision*"),  
 and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €20 million or more;
- (6) certain events of bankruptcy, insolvency or court protection of the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements of the Issuer), would constitute a Significant Subsidiary (the "*bankruptcy provisions*");
- (7) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements of the Issuer), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €20 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the "*judgment default provision*");
- (8) any Security Interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the New Intercreditor Agreement, any Additional Intercreditor Agreement and the Senior Subordinated Notes Indenture) with respect to Senior Subordinated Notes Collateral having a fair market value in excess of €30 million for any reason other than the satisfaction in full of all obligations under the Senior Subordinated Notes Indenture or the release of any such Security Interest in accordance with the terms of the Senior Subordinated Notes Indenture, the New Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents or any such Security Interest created thereunder shall be declared invalid or unenforceable or any grantor

of a Lien over the Senior Subordinated Notes Collateral shall assert in writing that any such Security Interest is invalid or unenforceable and any such Default continues for 10 days (the "*security default provisions*"); and

- (9) any Senior Subordinated Notes Guarantee of a Significant Subsidiary (or a group of Restricted Subsidiaries that are Senior Subordinated Notes Guarantors that, taken together (as of the latest audited consolidated financial statements of the Issuer) would constitute a Significant Subsidiary) ceases to be in full force and effect (other than in accordance with the terms of such Senior Subordinated Notes Guarantee or the Senior Subordinated Notes Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Senior Subordinated Notes Guarantor denies or disaffirms in writing its obligations under its Senior Subordinated Notes Guarantee and any such Default continues for 10 days (the "*guarantee provisions*").

However, a default under clauses (3), (4), (5) or (7) of this paragraph will not constitute an Event of Default until the Senior Subordinated Notes Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Senior Subordinated Notes under the Senior Subordinated Notes Indenture notify the Issuer of the default and, with respect to clauses (3), (4), (5) and (7) the Issuer does not cure such default within the time specified in clauses (3), (4), (5) or (7), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (6) above) occurs and is continuing, the Senior Subordinated Notes Trustee by notice to the Issuer or the Holders of at least 25% in aggregate principal amount of the outstanding Senior Subordinated Notes under the Senior Subordinated Notes Indenture by written notice to the Issuer and the Senior Subordinated Notes Trustee, may, and the Senior Subordinated Notes Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Senior Subordinated Notes under the Senior Subordinated Notes Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. In the event of a declaration of acceleration of the Senior Subordinated Notes because an Event of Default described in clause (5) under "*Events of Default*" has occurred and is continuing, the declaration of acceleration of the Senior Subordinated Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (5) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Senior Subordinated Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Senior Subordinated Notes that became due solely because of the acceleration of the Senior Subordinated Notes, have been cured or waived.

If an Event of Default described in clause (6) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Senior Subordinated Notes will become and be immediately due and payable without any declaration or other act on the part of the Senior Subordinated Notes Trustee or any Holders.

Holders of the Senior Subordinated Notes may not enforce the Senior Subordinated Notes Indenture or the Senior Subordinated Notes except as provided in the Senior Subordinated Notes Indenture and may not enforce the Security Documents except as provided in such Security Documents and the New Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in aggregate principal amount of the outstanding Senior Subordinated Notes under the Senior Subordinated Notes Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any, which may only be waived with the consent of Holders of not less than 90% of the aggregate principal amount of the outstanding Senior Subordinated Notes) and rescind any such acceleration with respect to such Senior Subordinated Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Senior Subordinated Notes Indenture relating to the duties of the Senior Subordinated Notes Trustee, if an Event of Default occurs and is continuing, the Senior Subordinated Notes Trustee will be under no obligation to exercise any of the rights or powers under the Senior Subordinated Notes Indenture at the request or direction of any of the Holders unless such Holders have offered to the Senior Subordinated Notes Trustee, and the Senior Subordinated Notes Trustee has received, indemnity and/or security (including by way of pre-funding) satisfactory to the Senior Subordinated Notes Trustee in its sole discretion against any loss, liability or expense. Except to enforce

the right to receive payment of principal, interest or premium, if any, when due, no Holder may pursue any remedy with respect to the Senior Subordinated Notes Indenture or the Senior Subordinated Notes unless:

- (1) such Holder has previously given the Senior Subordinated Notes Trustee notice that an Event of Default is continuing;
- (2) Holders of at least 25% in aggregate principal amount of the outstanding Senior Subordinated Notes have requested the Senior Subordinated Notes Trustee to pursue the remedy;
- (3) such Holders have offered in writing the Senior Subordinated Notes Trustee, and the Senior Subordinated Notes Trustee has received, security and/or indemnity (including by way of pre-funding) reasonably satisfactory to it against any loss, liability or expense;
- (4) the Senior Subordinated Notes Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security and/or indemnity; and
- (5) the Holders of a majority in aggregate principal amount of the outstanding Senior Subordinated Notes have not given the Senior Subordinated Notes Trustee a direction that, in the opinion of the Senior Subordinated Notes Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in aggregate principal amount of the outstanding Senior Subordinated Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Senior Subordinated Notes Trustee or of exercising any trust or power conferred on the Senior Subordinated Notes Trustee.

The Senior Subordinated Notes Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Senior Subordinated Notes Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Senior Subordinated Notes Trustee, however, may refuse to follow any direction that conflicts with law or the Senior Subordinated Notes Indenture or that the Senior Subordinated Notes Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Senior Subordinated Notes Trustee in personal liability. Prior to taking any action under the Senior Subordinated Notes Indenture, the Senior Subordinated Notes Trustee will be entitled to receive indemnification and/or security satisfactory (including by way of pre-funding) to it in its sole discretion against all losses, liabilities and expenses caused by taking or not taking such action. The Senior Subordinated Notes Indenture will provide that if a Default occurs and is continuing and a responsible officer of the Senior Subordinated Notes Trustee is informed in writing of such occurrence by the Issuer, the Senior Subordinated Notes Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Senior Subordinated Notes Trustee may withhold notice if and so long as a committee of trust officers of the Senior Subordinated Notes Trustee in good faith determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Senior Subordinated Notes Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuer is required to deliver to the Senior Subordinated Notes Trustee, within 30 days after 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.

The Senior Subordinated Notes provide for the Senior Subordinated Notes Trustee to take action on behalf of the Holders in certain circumstances, but only if Holders have offered to the Senior Subordinated Notes Trustee, and the Senior Subordinated Notes Trustee has received, indemnity and/or security (including by way of pre-funding) satisfactory to it in its sole discretion. It may not be possible for the Senior Subordinated Notes Trustee to take certain actions in relation to the Senior Subordinated Notes and, accordingly, in such circumstances the Senior Subordinated Notes Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

#### **AMENDMENTS AND WAIVERS**

Subject to certain exceptions, the Senior Subordinated Notes Documents may be amended, supplemented or otherwise modified with the consent of the Holders of a majority in aggregate principal amount of the Senior Subordinated Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Subordinated Notes) and, subject to



certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of a majority in aggregate principal amount of the Senior Subordinated Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Subordinated Notes). However, without the consent of Holders holding not less than 90% (or in the case of clause (8) below, 80%) of the then outstanding principal amount of Senior Subordinated Notes affected, (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Subordinated Notes), an amendment or waiver may not, with respect to any Senior Subordinated Notes held by a non-consenting Holder:

- (1) reduce the principal amount of Senior Subordinated Notes whose Holders must consent to an amendment, waiver or modification;
- (2) reduce the stated rate of or extend the stated time for payment of interest on any Note;
- (3) reduce the principal of or extend the Stated Maturity of any Note;
- (4) reduce the premium payable upon the redemption of any Senior Subordinated Note or change the time at which any Senior Subordinated Note may be redeemed, in each case as described above under "*—Optional Redemption*" or "*—Redemption for taxation reasons*";
- (5) make any Senior Subordinated Note payable in money other than that stated in the Senior Subordinated Note;
- (6) impair the right of any Holder to receive payment of principal of and interest or Additional Amounts, if any, on such Holder's Senior Subordinated 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 Senior Subordinated Notes;
- (7) make any change in the provision of the Senior Subordinated Notes Indenture described under "*—Withholding taxes*" that adversely affects the right of any Holder of such Senior Subordinated Notes in any material respect or amends the terms of such Senior Subordinated Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Payor agrees to pay Additional Amounts, if any, in respect thereof;
- (8) release all or substantially all the Security Interest granted for the benefit of the Holders in the Senior Subordinated Notes Collateral other than in accordance with the terms of the Security Documents, the New Intercreditor Agreement, any applicable Additional Intercreditor Agreement and the Senior Subordinated Notes Indenture;
- (9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on the Senior Subordinated Notes (except pursuant to a rescission of acceleration of the Senior Subordinated Notes by the Holders of at least a majority in aggregate principal amount of such Senior Subordinated Notes and a waiver of the payment default that resulted from such acceleration);
- (10) release any Senior Subordinated Notes Guarantor from any of its obligations (or modify such obligations in any manner adverse to the Holders) under any Senior Subordinated Notes Guarantee or the Senior Subordinated Notes Indenture, as applicable, except in accordance with the terms of the Senior Subordinated Notes Indenture, the New Intercreditor Agreement and any Additional Intercreditor Agreement; or
- (11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Senior Subordinated Notes Trustee and the Security Agent, as applicable, may amend or supplement any Senior Subordinated Notes Documents to:

- (1) cure any ambiguity, omission, defect, error or inconsistency;
- (2) provide for the assumption by a successor Person of the obligations of the Issuer or any Senior Subordinated Notes Guarantor under any Senior Subordinated Notes Document;
- (3) add to the covenants or provide for a Senior Subordinated Notes Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

- (4) make any change that would provide additional rights or benefits to the Senior Subordinated Notes Trustee or the Holders or does not adversely affect the rights or benefits to the Senior Subordinated Notes Trustee or any of the Holders in any material respect under the Senior Subordinated Notes Documents;
- (5) make such provisions as necessary (as determined in good faith by the Issuer) for the issuance of Additional Senior Subordinated Notes;
- (6) to provide for any Restricted Subsidiary to provide a Senior Subordinated Notes Guarantee in accordance with the "*Certain covenants—Limitation on Indebtedness*" covenant, to add Senior Subordinated Notes Guarantees with respect to the Senior Subordinated Notes, to add security to or for the benefit of the Senior Subordinated Notes, or to confirm and evidence the release, termination, discharge or retaking of any Senior Subordinated Notes Guarantee or Lien (including the Senior Subordinated Notes Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Senior Subordinated Notes when such release, termination, discharge or retaking or amendment is permitted under the Senior Subordinated Notes Indenture, the Security Documents, the New Intercreditor Agreement and any Additional Intercreditor Agreement;
- (7) to conform the text of the Senior Subordinated Notes Indenture, the Senior Subordinated Notes Guarantees, the Security Documents or the Senior Subordinated Notes to any provision of this Description of the Senior Subordinated Notes to the extent that such provision in this Description of the Senior Subordinated Notes was intended to be a verbatim recitation of a provision of the Senior Subordinated Notes Indenture, a Senior Subordinated Notes Guarantee, the Security Documents or the Senior Subordinated Notes;
- (8) to evidence and provide for the acceptance and appointment under the Senior Subordinated Notes Indenture, the New 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 Senior Subordinated Notes Trustee or Security Agent to any Senior Subordinated Notes Document; or
- (9) as provided in "*—Additional Intercreditor Agreements*" and "*—Impairment of Security Interest*".

In formulating its decision on such matters, the Senior Subordinated Notes Trustee shall be entitled to require and rely absolutely on such evidence as it deems necessary, including Officer's Certificates and Opinions of Counsel, which shall be conclusive.

The consent of the Holders is not necessary under the Senior Subordinated Notes Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Senior Subordinated Notes Indenture by any Holder of Senior Subordinated Notes given in connection with a tender of such Holder's Senior Subordinated Notes will not be rendered invalid by such tender.

For so long as the Senior Subordinated Notes are listed on the Global Exchange Market of Euronext Dublin and the rules of such exchange so require, the Issuer will inform Euronext Dublin of any of the foregoing amendments, supplements and waivers and publish a notice of any of the foregoing amendments, supplements and waivers on the website of Euronext Dublin (<https://www.euronext.com/en/markets/dublin>), to the extent and in the manner permitted by the rules of Euronext Dublin.

#### **ACTS BY HOLDERS**

In determining whether the Holders of the required principal amount of the Senior Subordinated Notes have concurred in any direction, waiver or consent, the Senior Subordinated Notes owned by the Issuer or by any Person directly or indirectly controlled, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding.

#### **DEFEASANCE**

The Issuer at any time may terminate all of its and each Senior Subordinated Notes Guarantor's obligations under the Senior Subordinated Notes and the Senior Subordinated Notes Indenture ("*legal defeasance*") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Senior Subordinated Notes Trustee and the Security Agent and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Senior Subordinated

Notes, registration of Senior Subordinated Notes, mutilated, destroyed, lost or stolen Senior Subordinated Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and each Restricted Subsidiary's obligations under the covenants described under "*Certain covenants*" (other than clauses (1) and (2) of "*Certain covenants—Merger and consolidation*") and "*Change of Control*" and the default provisions relating to such covenants described under "*Events of Default*" above, the operation of the cross default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to the Issuer and Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "*Events of Default*" above ("*covenant defeasance*").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Senior Subordinated Notes may not be accelerated because of an Event of Default with respect to such Senior Subordinated Notes. If the Issuer exercises its covenant defeasance option with respect to the Senior Subordinated Notes, payment of the Senior Subordinated Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the "*Merger and consolidation—The Issuer*" covenant), (4), (5), (6), (7), (8) and (9) under "*Events of Default*" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Senior Subordinated Notes Trustee cash in euro or euro-denominated European Government Obligations or a combination thereof for the payment of principal, premium, if any, and interest on the Senior Subordinated Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Senior Subordinated Notes Trustee of:

- (1) an Opinion of Counsel in the United States to the effect that Holders and beneficial owners of the Senior Subordinated Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law);
- (2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;
- (3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;
- (4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and
- (5) all other documents or other information that the Senior Subordinated Notes Trustee may reasonably require in connection with either defeasance option.

#### **SATISFACTION AND DISCHARGE**

The Senior Subordinated Notes Indenture, and the rights of the Senior Subordinated Notes Trustee and the Holders under the New Intercreditor Agreement, 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 Senior Subordinated Notes, as expressly provided for in the Senior Subordinated Notes Indenture) as to all outstanding Senior Subordinated Notes when (1) either (a) all the Senior Subordinated Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Senior Subordinated Notes, and certain Senior Subordinated Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Senior Subordinated Notes Trustee for cancellation; or (b) all Senior Subordinated Notes not previously delivered to the Senior Subordinated Notes Trustee 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 Senior Subordinated Notes Trustee for the giving of notice of redemption by the Senior Subordinated Notes Trustee in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Senior Subordinated Notes Trustee, cash in euro or euro-denominated European Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire indebtedness on the Senior Subordinated Notes not previously delivered to the Senior Subordinated Notes Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Senior Subordinated 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 (i) under the Senior Subordinated Notes Indenture and (ii) to the Senior Subordinated Notes Trustee under the New Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents; and (4) the Issuer has delivered to the Senior Subordinated Notes Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "*Satisfaction and discharge*" section of the Senior Subordinated Notes Indenture relating to the satisfaction and discharge of the Senior Subordinated Notes Indenture have been complied with; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

#### **NO PERSONAL LIABILITY OF DIRECTORS, OFFICERS, EMPLOYEES AND SHAREHOLDERS**

No director, manager, officer, employee, incorporator or shareholder of the Issuer or any of its Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or any Restricted Subsidiary under the Senior Subordinated Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Senior Subordinated Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior Subordinated Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws, and it is the view of the SEC that such a waiver is against public policy.

#### **LISTING AND GENERAL INFORMATION**

Application will be made to list the Senior Subordinated Notes on the Official List of Euronext Dublin and to admit the Senior Subordinated Notes to trading on the Global Exchange Market. The Issuer may also choose to list on another recognized stock exchange. There can be no assurance that the application to list the Senior Subordinated Notes on the Global Exchange Market of Euronext Dublin and to admit the Senior Subordinated Notes to trading on the Global Exchange Market will be approved, and settlement of the Senior Subordinated Notes is not conditioned on obtaining this listing. If and so long as the Senior Subordinated Notes are listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market, the Issuer will maintain a listing, paying and transfer agent in Ireland with respect to the Senior Subordinated Notes. See "*Certain covenants—Maintenance of Listing*".

So long as the Senior Subordinated Notes are listed on the Global Exchange Market of Euronext Dublin and the rules of Euronext Dublin shall so require, copies, current and future, of all of the Issuer's annual audited consolidated and unconsolidated financial statements, the Issuer's unaudited consolidated interim quarterly financial statements and this Offering Memorandum may be obtained, free of charge, during normal business hours at the registered office of the Issuer.

#### **CONCERNING THE SENIOR SUBORDINATED NOTES TRUSTEE AND CERTAIN AGENTS**

U.S. Bank Trustees Limited is to be appointed as Senior Subordinated Notes Trustee under the Senior Subordinated Notes Indenture. The Senior Subordinated Notes Indenture will provide that, except during the continuance of an Event of Default, of which a responsible officer of the Senior Subordinated Notes Trustee has been informed in writing, the Senior Subordinated Notes Trustee will perform only such duties as are set forth specifically in the Senior Subordinated Notes Indenture. During the existence of an Event of Default, of which a responsible officer of the Senior Subordinated Notes Trustee has been informed in writing, the Senior Subordinated Notes Trustee will exercise such of the rights and powers vested in it under the Senior Subordinated Notes Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Senior Subordinated Notes Trustee to take or refrain from taking any action enumerated in the Senior Subordinated Notes Indenture will not be construed as an obligation or duty. The Holders of a majority in aggregate principal amount of the then outstanding Senior Subordinated Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Senior Subordinated Notes Trustee on behalf of the Holders, subject to certain exceptions.

The Issuer shall deliver written notice to the Senior Subordinated Notes Trustee with thirty (30) days of becoming aware of the occurrence of a Default or Event of Default. The Senior Subordinated Notes Indenture will impose certain limitations on the rights of the Senior Subordinated Notes Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Senior Subordinated Notes Trustee will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

Any removal or resignation of the Senior Subordinated Notes Trustee shall not become effective until the acceptance of appointment by the successor trustee. The Senior Subordinated Notes Indenture will contain provisions for the indemnification and/or security (including by way of pre-funding) of the Senior Subordinated Notes Trustee by the Issuer and the Senior Subordinated Notes Guarantors for any loss, liability, taxes or expenses Incurred without gross negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Senior Subordinated Notes Indenture.

## **NOTICES**

All notices to Holders will be validly given if mailed to them at their respective addresses in the register of the Holders, if any, maintained by the Registrar. In addition, for so long as any of the Senior Subordinated Notes are listed on Euronext Dublin and the rules of such Stock Exchange shall so require, notices with respect to the Senior Subordinated Notes will be published in a newspaper having general circulation in Ireland (which is expected to be *The Irish Times*) or, to the extent and in the manner permitted by such rules, posted on the official website of Euronext Dublin (<https://www.euronext.com/en/markets/dublin>). In addition, for so long as any Senior Subordinated Notes are represented by Global Notes, all notices to Holders will be delivered to Euroclear and Clearstream, each of which will give such notices to the holders of Book-Entry Interests. Such notices may also be published on the website of Euronext Dublin (<https://www.euronext.com/en/markets/dublin>), to the extent and in the manner permitted by the rules of Euronext Dublin. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given, on such date, as the Senior Subordinated Notes Trustee may approve.

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.

## **PRESCRIPTION**

Claims against the Issuer or any Senior Subordinated Notes Guarantor for the payment of principal, or premium, if any, on the Senior Subordinated Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Senior Subordinated Notes Guarantor for the payment of interest on the Senior Subordinated Notes will be prescribed five years after the applicable due date for payment of interest.

## **CURRENCY INDEMNITY AND CALCULATION OF EURO-DENOMINATED RESTRICTIONS**

Euro is the sole currency of account and payment for all sums payable by the Issuer and the Senior Subordinated Notes Guarantors under or in connection with the Senior Subordinated Notes and the Senior Subordinated Notes Guarantees, as the case may be, including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Senior Subordinated Notes Guarantor or otherwise by any Holder or by the Senior Subordinated Notes Trustee, in respect of any sum expressed to be due to it from the Issuer or a Senior Subordinated Notes Guarantor will only constitute a discharge to the Issuer or such Senior Subordinated Notes Guarantor, as applicable, to the extent of the euro amount, which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Senior Subordinated Notes Trustee under any Senior Subordinated Note, the Issuer and the Senior Subordinated Notes Guarantors will indemnify them against any loss sustained by such recipient or the Senior Subordinated Notes Trustee as a result. In any event, the Issuer and the Senior Subordinated Notes Guarantors will indemnify the recipient or the Senior Subordinated Notes Trustee on a joint or several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be prima facie evidence of the matter stated therein for the Holder of a Senior Subordinated Note or the Senior Subordinated Notes Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Senior Subordinated Notes Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Senior Subordinated Note or the Senior Subordinated Notes Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, any Senior Subordinated Notes Guarantee or to the Senior Subordinated Notes Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is incurred or made, as the case may be.

#### **ENFORCEABILITY OF JUDGMENTS**

Since substantially all the assets of the Issuer and the Senior Subordinated Notes Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or any Senior Subordinated Notes Guarantor, 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 Senior Subordinated Notes or the Senior Subordinated Notes Guarantees, may not be collectable within the United States.

#### **CONSENT TO JURISDICTION AND SERVICE**

In relation to any legal action or proceedings arising out of or in connection with the Senior Subordinated Notes Indenture, the Senior Subordinated Notes and the Senior Subordinated Notes Guarantees, the Issuer and each Senior Subordinated Notes Guarantor will, in the Senior Subordinated Notes Indenture, appoint an agent for service of process and irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

#### **GOVERNING LAW**

The Senior Subordinated Notes Indenture, the Senior Subordinated Notes and the Senior Subordinated Notes Guarantees, 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 New Intercreditor Agreement and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of England and Wales.

#### **CERTAIN DEFINITIONS**

Set forth below are certain defined terms used in the Senior Subordinated Notes Indenture. Reference is made to the Senior Subordinated Notes Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

*"3AB Optique Développement Proceeds Loan"* means the proceeds loan from the Issuer to 3AB Optique Développement in a maximum principal amount of €347.2 million.

*"Acquired Indebtedness"* means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not incurred by such Person in connection with such Person becoming a Restricted Subsidiary of the Issuer or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition

of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"Additional Assets" means:

- (1) any property or assets (other than Indebtedness and Capital Stock) used or to be used by the Issuer, a Restricted Subsidiary or otherwise useful in a Similar Business (it being understood that capital expenditures on property or assets already used in a Similar Business or to replace any property or assets that are the subject of such Asset Disposition shall be deemed an investment in Additional Assets);
- (2) the Capital Stock of a Person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Issuer or a Restricted Subsidiary of the Issuer; or
- (3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary of the Issuer.

"Affiliate" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agreed Security Principles" means the Agreed Security Principles attached to the Senior Subordinated Notes Indenture, as interpreted and applied in good faith by the Issuer.

"Alain Afflelou Franchiseur Proceeds Loan" means the proceeds loan from 3AB Optique Développement to Alain Afflelou Franchiseur in a maximum principal amount of €30.0 million.

"Applicable Premium" means, with respect to any Senior Subordinated Note on any redemption date, the greater of:

- (1) 1% of the principal amount of such Senior Subordinated Note; and
- (2) the excess (to the extent positive) of:
  - (a) the present value at such redemption date of (i) the redemption price of such Senior Subordinated Note at \_\_\_\_\_, 2023 (such redemption price (expressed in percentage of principal amount) being set forth in the table appearing under the caption "*—Optional Redemption—Optional Redemption of Senior Subordinated Notes*") (excluding accrued but unpaid interest to the redemption date), *plus* (ii) all required interest payments due on such Senior Subordinated Note to and including \_\_\_\_\_, 2023 (excluding accrued but unpaid interest to the redemption date), computed upon the redemption date using a discount rate equal to the Bund Rate as of such redemption date *plus* 50 basis points and assuming that the rate of interest on such Senior Subordinated Notes from the redemption date to and including \_\_\_\_\_, 2023 will equal the rate of interest on such Senior Subordinated Notes on the date on which the applicable notice of redemption is given; *over*
  - (b) the outstanding principal amount of such Senior Subordinated Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the Applicable Premium shall not be an obligation or duty of the Senior Subordinated Notes Trustee, the Calculation Agent or the Paying Agent, nor shall the Senior Subordinated Notes Trustee, the Calculation Agent or the Paying Agent have any liability related thereto.

"Asset Disposition" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of

this definition as a "disposition") by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

- (1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;
- (2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (3) a disposition of inventory, trading stock or other assets in the ordinary course of business;
- (4) a disposition of obsolete, surplus or worn out equipment or other assets or equipment or other assets that are no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries;
- (5) transactions permitted under "*Certain covenants—Merger and consolidation*", any Permitted Reorganization or a transaction that constitutes a Change of Control;
- (6) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Issuer;
- (7) any Restricted Payment that is permitted to be made, and is made, under the "*Limitation on Restricted Payments*" covenant and the making of any Permitted Payment or Permitted Investment;
- (8) the granting of Liens not prohibited by the "*Limitation on Liens*" covenant;
- (9) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;
- (10) the licensing or sublicensing of intellectual property or other general intangibles and licenses, sublicenses, leases or subleases of other property, in each case, in the ordinary course of business;
- (11) foreclosure, condemnation or any similar action with respect to any property or other assets;
- (12) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;
- (13) sales or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business;
- (14) any disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;
- (15) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;
- (16) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;
- (17) any disposition with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Senior Subordinated Notes Indenture;
- (18) any sale or disposition of stores not to exceed, in the aggregate, €10 million in each fiscal year;
- (19) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person; *provided, however*, that the Board of Directors of the Issuer shall certify that in



its opinion, the outsourcing transaction will be economically beneficial to the Issuer and its Restricted Subsidiaries (considered as a whole);

- (20) a disposition that is made in connection with the establishment of a joint venture or sales, transfers and other dispositions of Investments in joint ventures to the extent required by or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture agreements and similar binding agreements; provided that any cash or Cash Equivalents received in such sale, transfer or other disposition is applied in accordance with the "*Limitation on sales of assets and subsidiary stock*" covenant;
- (21) a disposition that is made in connection with the factoring or discounting of vendor loans to franchisees in an aggregate principal amount not to exceed €20 million; and
- (22) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by an Officer or the Board of Directors of the Issuer) of less than the greater of (x) €5 million and (y) 4.8% of Consolidated EBITDA.

"Associate" means (i) any Person engaged in a Similar Business of which the Issuer or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture engaged in a Similar Business entered into by the Issuer or any Restricted Subsidiary of the Issuer.

"Board of Directors" means (1) with respect to the Issuer or any corporation, the board of directors or managers or the supervisory board, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Senior Subordinated Notes Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

"Bund Rate" means, as of any redemption date, the rate per annum (subject to a 0% floor) equal to the equivalent yield to maturity as of such redemption date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

- (a) "*Comparable German Bund Issue*" means the German *Bundesanleihe* security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to \_\_\_\_\_, 2023 and that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Senior Subordinated Notes and of a maturity most nearly equal to \_\_\_\_\_, 2023, provided, however, that, if the period from such redemption date to \_\_\_\_\_, 2023, is less than one year, a fixed maturity of one year shall be used;
- (b) "*Comparable German Bund Price*" means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;
- (c) "*Reference German Bund Dealer*" means any dealer of German *Bundesanleihe* securities appointed by the Issuer in good faith; and
- (d) "*Reference German Bund Dealer Quotations*" means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Issuer of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt am Main, Germany time

on the third Business Day that is also a business day in Germany preceding the relevant date.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in Paris, France, Dublin, Ireland or London, United Kingdom are authorized or required by law to close and, with respect to payments to be made under the Senior Subordinated Notes Indenture, other than any day which is not a TARGET Settlement Day.

"*Capital Stock*" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of, or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS, and the amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination is to be made in accordance with IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"*Cash Equivalents*" means:

- (1) securities issued or directly and fully Guaranteed or insured by a member state of the Pre-Expansion European Union, Switzerland, Canada, the United States of America, any State of the United States or the District of Columbia, in each case, any agency or instrumentality of thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;
- (2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender party to the New Revolving Credit Facility or by any bank or trust company (a) whose commercial paper is rated at least "A-1" or the equivalent thereof by S&P or at least "P-1" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €500 million;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;
- (4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;
- (5) readily marketable direct obligations issued by a member state of the Pre-Expansion European Union, Switzerland, Canada, the United States of America, any State of the United States or the District of Columbia or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;
- (6) Indebtedness or preferred stock issued by Persons with a rating of "BBB-" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;
- (7) bills of exchange issued in a member state of the Pre-Expansion European Union, Switzerland, Canada, the United States of America, any State of the United States or the District of Columbia, eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent); and

- (8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above.

"*Change of Control*" means:

- (1) the Issuer becomes aware of (by way of a report or any other filing pursuant to any regulatory filing, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer; *provided* that for the purposes of this clause any Voting Stock of which any Permitted Holder is the "beneficial owner" (as so defined) (other than deemed beneficial ownership derived from membership in a group) shall not be included in any Voting Stock of which any such person or group is the "beneficial owner" (as so defined), unless that person or group is not an affiliate of a Permitted Holder and has the sole voting power with respect to that Voting Stock; or
- (2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders.

"*Change of Control Period*" means, in relation to a Change of Control, the period commencing on the earlier of (i) date of the occurrence of the relevant Change of Control and (ii) date of the first public announcement of (x) the occurrence of the relevant Change of Control or (y) the intention to effect the relevant Change of Control, and ending on the date which is 90 days (inclusive) after such date (which period shall be extended so long as the rating of the Senior Subordinated Notes or the Issuer, as applicable, is under publicly announced consideration by at least one (1) Rating Agency).

"*Change of Control Negative Rating Event*" will be deemed to have occurred in respect of a Change of Control:

- (1) if the rating assigned to the Senior Subordinated Notes or the Issuer, as applicable, by at least one (1) Rating Agency (i) is, during the Change of Control Period, lower by at least one full rating notch (e.g. from Baa to Ba) compared to the rating assigned to the Senior Subordinated Notes or the Issuer, as applicable, by such Rating Agency on the Issue Date, and, after the first day of the Change of Control Period but before the expiry of the Change of Control Period, such Rating Agency has not assigned to the Senior Subordinated Notes or the Issuer, as applicable, a rating of at least the rating assigned to the Senior Subordinated Notes or the Issuer, as applicable, by such Rating Agency on the Issue Date or (ii) has been withdrawn; or
- (2) if the rating assigned to the Senior Subordinated Notes or the Issuer, as applicable, by at least one (1) Rating Agency (i) is reduced, during the Change of Control Period, by at least one full rating notch (e.g. from Baa to Ba) compared to the rating assigned to the Senior Subordinated Notes or the Issuer, as applicable, by such Rating Agency on the day immediately preceding the beginning of the Change of Control Period, and, after the date of such reduction but before the expiry of the Change of Control Period, such Rating Agency has not assigned to the Senior Subordinated Notes or the Issuer, as applicable, a rating of at least the rating assigned to the Senior Subordinated Notes or the Issuer, as applicable, by such Rating Agency on the day immediately preceding the beginning of the Change of Control Period or (ii) has been withdrawn.

If no Rating Agency announces an action with regard to its rating of the Senior Subordinated Notes or the Issuer, as applicable, after the start of the Change of Control Period, the Issuer shall request each Rating Agency to confirm its rating of the Senior Subordinated Notes or the Issuer, as applicable, before the end of the 90-day Change of Control Period.

"*Change of Control Triggering Event*" means the occurrence of both (a) a Change of Control and (b) a Change of Control Negative Rating Event, *provided* that a Change of Control Triggering Event shall not be deemed to have occurred if such Change of Control Triggering Event is also a Specified Change of Control Event.

"*Clearstream*" means Clearstream Banking S.A., a *société anonyme*, as currently in effect or any successor securities clearing agency thereof.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Commodity Hedging Agreements" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"Consolidated EBITDA" for any period means, without duplication, the Consolidated Net Income for such period, *plus* the following to the extent deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense and Receivables Fees;
- (2) Consolidated Income Taxes;
- (3) consolidated depreciation expense;
- (4) consolidated amortization and impairment expense;
- (5) any expenses, charges or other costs related to any Equity Offering, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business; *provided* that such payments are made at the time of such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Senior Subordinated Notes Indenture (whether or not successful) (including any such fees, expenses or charges related to the Transactions (including any expenses in connection with related due diligence activities)), in each case, as determined in good faith by the Issuer;
- (6) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent not prohibited by the "*Limitation on Affiliate Transactions*" covenant;
- (7) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;
- (8) (a) any one-off charge in respect of the establishment of, or opening of, new distribution centers, stores or depots or in respect of brand or banner launch or re-launch costs and (b) any net loss realized upon the sale, abandonment or other disposition of any store, *less* any net gain realized upon any such sale, abandonment or other disposition;
- (9) other non-cash charges, write downs or items reducing Consolidated Net Income or other items classified by the Issuer as non-cash exceptional items *less* other non-cash items of income increasing Consolidated Net Income (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (15) of the definition of "Consolidated Net Income"); and
- (10) to the extent not already otherwise included herein, adjustments and add-backs similar to those made in calculating "Adjusted EBITDA" included in the Offering Memorandum.

When Consolidated EBITDA is being calculated for the purpose of any grower basket set forth in the Senior Subordinated Notes Indenture, (i) pro forma effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Net Leverage Ratio of the Issuer and (ii) Consolidated EBITDA shall be measured for the most recently ended four full fiscal quarters for which internal financial statements are available.

Notwithstanding anything to the contrary in the Senior Subordinated Notes Indenture, (a) from the Issue Date until the date on which internal financial statements are available for the quarter ending April 30, 2021, Consolidated EBITDA shall be calculated by adding the quarters ending April 30, 2019, July 31, 2019, October 31, 2020 and January 31, 2021 and (b) from the date on which internal financial statements are available for the quarter ending April 30, 2021 to the date on which internal financial statements are available for the quarter ending July 31, 2021, Consolidated EBITDA shall be calculated by adding the quarters ending July 31, 2019, October 31, 2020, January 31, 2021 and April 30, 2021, in each case consistent with the calculation of "Normalized EBITDA" as defined and calculated in the Offering Memorandum.

"Consolidated Financial Interest Expense" means, for any period (in each case, determined on the basis of IFRS), the sum of:

- (1) consolidated net interest income/expense of the Issuer related to Indebtedness (including (a) amortization of debt discount, (b) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers acceptances, (c) the interest component of Capitalized Lease Obligations, and (d) net payments, if any, pursuant to interest rate Hedging Obligations with respect to Indebtedness) but not including any pension liability interest cost, debt issuance cost and premium, commissions, discounts and other fees and charges owed or paid with respect to financings, or costs associated with Hedging Obligations (other than those described in (d));
- (2) dividends on other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a subsidiary of the Issuer; and
- (3) any interest on Indebtedness of another Person that is Guaranteed by a member of the Group or secured by a Lien on assets of a member of the Group or in respect of any Parent Debt to the extent paid by a member of the Group; *provided* that, for avoidance of doubt, such interest shall include, without double counting, all amounts paid pursuant to clause (17) of the definition of "Permitted Payments".

"*Consolidated Income Taxes*" means taxes or other payments, including deferred Taxes, based on income, profits or capital (including without limitation withholding Taxes, corporation Taxes, trade Taxes and franchise Taxes) of any member of the Group whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

"*Consolidated Interest Expense*" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Issuer, whether paid or accrued, *plus* or including (without duplication) any interest, costs and charges consisting of:

- (1) interest expense attributable to Capitalized Lease Obligations and the interest component of deferred payment obligations;
- (2) amortization of debt discount, amortization of debt issuance costs, fees, premium and expenses and the expensing of any financing fees;
- (3) non-cash interest expense;
- (4) the net payments (if any) of Interest Rate Agreements and Currency Agreements (excluding amortization of fees and discounts and unrealized gains and losses, costs associated with Hedging Obligations (including termination payments) and foreign currency losses and any Receivables Fees);
- (5) dividends on other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a subsidiary of the Issuer;
- (6) the consolidated interest expense that was capitalized during such period; and
- (7) any interest on Indebtedness of another Person that is Guaranteed by a member of the Group or secured by a Lien on assets of a member of the Group or in respect of any Parent Debt to the extent paid by a member of the Group; *provided* that, for avoidance of doubt, such interest shall include, without double counting, all amounts paid pursuant to clause (17) of the definition of "Permitted Payments".

"*Consolidated Net Leverage*" means the sum of the aggregate outstanding Indebtedness of the Group (excluding Hedging Obligations) *less* cash and Cash Equivalents of the Group (other than cash or Cash Equivalents received upon the Incurrence of Indebtedness by the Group and not immediately or subsequently applied or used for any purpose not prohibited by the Senior Subordinated Notes Indenture), as of the relevant date of calculation on a consolidated basis on the basis of IFRS.

"*Consolidated Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available; immediately preceding the date of determination; *provided, however*, that the *pro forma* calculation of the Consolidated Net Leverage Ratio shall not give effect to (i) any Indebtedness Incurred on the date of determination pursuant to the provisions described in the second paragraph under "*Certain covenants—Limitation on Indebtedness*"

(other than Indebtedness Incurred pursuant to clause (5)(x) of such second paragraph) or (ii) the discharge on the date of determination of any Indebtedness to the extent that such discharge results from the proceeds of Indebtedness Incurred pursuant to the provisions described in the second paragraph under "*Certain covenants—Limitation on Indebtedness*"; *provided, further, however*, that for the purposes of calculating Consolidated EBITDA for such period, if, as of such date of determination:

- (1) since the beginning of such period, a member of the Group has disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a "*Sale*") or if the transaction giving rise to the need to calculate the Consolidated Net Leverage Ratio is such a Sale, Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such sale constitutes "discontinued operations" in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period;
- (2) since the beginning of such period, a member of the Group (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business, or any group of assets constituting an operating unit of a business (any such Investment or acquisition, a "*Purchase*"), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto, including anticipated synergies and expenses and cost reductions calculated as if such Purchase occurred on the first day of such period;
- (3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into a member of the Group since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by a member of the Group since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto, including, with respect to any Purchase by such Person, anticipated synergies and expenses and cost reductions as if such Sale or Purchase occurred on the first day of such period; and
- (4) for the purposes of making the determination pursuant to the definition of "Specified Change of Control Event", Consolidated EBITDA for such period shall be calculated after giving *pro forma* effect to such event constituting a "Specified Change of Control Event", including any equity injection accruing simultaneously with such Specified Change of Control, anticipated synergies and expenses and cost savings as if such event had occurred on the first day of such period.

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense, Consolidated Net Income and Fixed Charge Coverage Ratio, (a) calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer (including in respect of anticipated expense and cost reductions and synergies as though the full effect of the synergies and cost savings were realized on the first day of the relevant period and shall also include the reasonably anticipated full run rate cost savings effect (as calculated in good faith by a responsible financial or chief accounting officer of the Issuer) of cost savings programs that have been initiated by a member of the Group as though such cost savings programs had been fully implemented on the first day of the relevant period (regardless of whether these cost savings and cost reduction synergies could then be reflected in *pro forma* financial statements to the extent prepared); *provided* that such anticipated expense and cost reductions and synergies and cost savings are reasonably anticipated to be realized within 18 months after the consummation of the cost savings program, any operational change or the Purchase or Sale which is expected to result in such anticipated expense and cost reductions and synergies and cost savings), and (b) in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period; *provided*, that, in making such computation, the amount of Indebtedness under any revolving credit facility or overdraft facility shall be computed based upon the average daily balance of such Indebtedness during such period. For the purpose of calculating *pro forma* effect pursuant to clause (2) above, the definition of

"Fixed Charge Coverage Ratio" and for the first paragraph and clause (5) of the second paragraph of the "*Limitation on Indebtedness*" covenant, as well as clause (3) of the first paragraph of the "*Merger and consolidation—The Issuer*" covenant, *pro forma* effect may also be given to anticipated acquisitions where the Indebtedness to be Incurred is to finance such acquisitions in whole or in part or which have not yet occurred but which have become subject to a definitive purchase agreement or contract.

"*Consolidated Net Income*" means, for any period, the net income (loss) of the Issuer determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

- (1) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not the Issuer or a Restricted Subsidiary, except that the Issuer's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to a member of the Group as a dividend or other distribution or return on investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);
- (2) solely for the purpose of determining the amount available for Restricted Payments under clause (4)(c)(i) of the first paragraph of the "*Limitation on Restricted Payments*" covenant, any net income (loss) of any Restricted Subsidiary (other than a Senior Subordinated Notes Guarantor) if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Senior Subordinated Notes, the Senior Subordinated Notes Indenture, the Security Documents, the Senior Secured Notes, the Senior Secured Notes Indenture and the security documents with respect to the Senior Secured Notes and (c) restrictions not prohibited by the "*Limitation on restrictions on distributions from Restricted Subsidiaries*" covenant) except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents or non-cash distributions to the extent converted into cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to a member of the Group as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);
- (3) any net gain (or loss) realized upon the sale, abandonment or other disposition of any asset or disposed operations of any member of the Group (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);
- (4) any extraordinary, exceptional, unusual or nonrecurring gain, loss, charge or expense or any charges, expenses or reserves in respect of any restructuring, redundancy or severance;
- (5) the cumulative effect of a change in accounting principles;
- (6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions;
- (7) all deferred financing costs written off and premiums paid or other expenses Incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;
- (8) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value of changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;
- (9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any

unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;

- (10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any member of the Group owing to a member of the Group;
- (11) any effects of purchase accounting including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenues in component amounts required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to a member of the Group), as a result of any consummated acquisition (either prior to or after the Issue Date) or the amortization or write-off of any amounts thereof (including any write-off of in process research and development);
- (12) any goodwill or other intangible asset impairment, charge or write-off;
- (13) any capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding;
- (14) consolidated depreciation and amortization expense to the extent in excess of net capital expenditures for such period, and Consolidated Income Taxes to the extent in excess of cash payments made in respect of such Consolidated Income Taxes; and
- (15) to the extent covered by insurance and actually reimbursed, or, so long as the Issuer has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is (a) not denied by the applicable carrier in writing within 180 days and (b) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days), losses with respect to business interruption.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person Guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("*primary obligations*") of any other Person (the "*primary obligor*"), including any obligation of such Person, whether or not contingent:

- (1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;
- (2) to advance or supply funds:
  - (a) for the purchase or payment of any such primary obligation; or
  - (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or
- (3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Credit Facility*" means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, arrangements, instruments or indentures (including the New Revolving Credit Facility or commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original New Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or



instrument which otherwise qualifies as a "Credit Facility" (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the fair market value (as determined in good faith by an Officer or the Board of Directors of the Issuer) of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the "*—Limitation on sales of assets and subsidiary stock*" covenant.

"*Designated Preference Shares*" means, with respect to the Issuer or any Parent Entity, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (4)(c)(ii) of the first paragraph of the "*—Limitation on Restricted Payments*" covenant.

"*Designated Senior Indebtedness*" means (a) any Senior Indebtedness permitted under the Senior Subordinated Notes Indenture that has, at the time of designation, an aggregate principal amount outstanding of at least €25 million (including the amount of undrawn commitments and matured and contingent reimbursement obligations pursuant to letters of credit thereunder) and that has been designated by the Issuer in an instrument evidencing such Senior Indebtedness and in an Officer's Certificate delivered to the Trustee as "Designated Senior Indebtedness" for purposes of the Senior Subordinated Notes Indenture, (b) all Indebtedness arising under the New Revolving Credit Facility and (c) all Indebtedness arising under the indenture governing the Senior Secured Notes, the Senior Secured Notes and the Guarantees of the Senior Secured Notes.

"*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 mandatorily redeemable for cash or in exchange for Indebtedness 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 or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or repurchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior to the earlier of (a) the Stated Maturity of the Senior Subordinated Notes or (b) the date on which there are no Senior Subordinated Notes outstanding; *provided, however*, that (i) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock and (ii) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Senior Subordinated Notes to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to

compliance by the relevant Person with the "*Certain covenants—Limitation on Restricted Payments*" covenant.

"*Equity Offering*" means a public or private sale of (x) Capital Stock of the Issuer or (y) Capital Stock or other securities of a Parent Entity, the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity of the Issuer or any of its Restricted Subsidiaries, in each case other than:

- (1) Disqualified Stock or Designated Preference Shares;
- (2) offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions;
- (3) any such sale that constitutes an Excluded Contribution or Excluded Amount; and
- (4) any such sale the proceeds of which are utilized pursuant to clause (11) of the second paragraph of the covenant under "*Certain covenants—Limitation on Indebtedness*".

"*Euro Equivalent*" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Issuer or the Senior Subordinated Notes Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in *The Financial Times* in the "Currency Rates" section (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, such source as may be selected in good faith by the Issuer) on the date of such determination.

"*Euroclear*" means Euroclear Bank SA/NV or any successor securities clearing agency thereof.

"*European Government Obligations*" means direct obligations of, or obligations Guaranteed by, a member state of the Pre-Expansion European Union, and the payment for which such member state of the Pre-Expansion European Union pledges its full faith and credit, in each case which are payable in euro and not callable or redeemable at the option of the issuer thereof.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Excluded Contribution*" means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or Excluded Amounts) of the Issuer after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares or Excluded Amounts) or Subordinated Shareholder Funding of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

"*Existing Fixed Rate Notes*" means the €250.0 million aggregate principal amount of 4.00% senior secured fixed rate notes due 2023 issued by 3AB Optique Développement and guaranteed by the Issuer and certain subsidiaries of 3AB Optique Développement, which will be redeemed in full in connection with the Transactions.

"*Existing Floating Rate Notes*" means the €165.0 million aggregate principal amount of senior secured floating rate notes due 2023 issued by 3AB Optique Développement and guaranteed by the Issuer and certain subsidiaries of 3AB Optique Développement, which will be redeemed in full in connection with the Transactions.

"*Existing Notes*" means, collectively, the Existing Fixed Rate Notes and the Existing Floating Rate Notes.

"*fair market value*" wherever such term is used in this Description of the Senior Subordinated Notes or the Senior Subordinated Notes Indenture (except in relation to an enforcement action or certain distressed disposals pursuant to the New Intercreditor Agreement, and any Additional Intercreditor Agreement and except as otherwise specifically provided in this Description of the Senior Subordinated Notes or the Senior Subordinated Notes Indenture), means, with respect to any asset or property, the sale value that would be obtained in an arm's length free market transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by an Officer or the Board of Directors of the Issuer or a resolution of the Board of Directors of the Issuer, respectively.

"Fixed Charge Coverage Ratio" means, for any period, the ratio of Consolidated EBITDA to Consolidated Financial Interest Expense, calculated and determined in a manner consistent with the provisions of the definition of "Consolidated Net Leverage Ratio". If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Fixed Charge Coverage Ratio Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness for a period equal to the remaining term of such Indebtedness).

"Group" refers to the Issuer and the Issuer's Restricted Subsidiaries.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

- (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or
- (2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

*provided, however*, that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Hedging Obligations" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

"Holder" means each Person in whose name the Senior Subordinated Notes are registered on the Registrar's books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

"Holding AA & Fils" means Holding AA & Fils, a *société à responsabilité limitée* organized and existing under the laws of Luxembourg, having at the date hereof a share capital of EUR 1,100,000, having its registered office at 22, rue Glesener, L-1630 and registered with the Luxembourg Trade and Companies Register under number B 180682.

"Holding AA-OC" means Holding AA-OC, a *société à responsabilité limitée* organized and existing under the laws of Luxembourg, having at the date hereof a share capital of EUR 100,000, having its registered office at 22, rue Glesener, L-1630 and registered with the Luxembourg Trade and Companies Register under number B 180923.

"Holding AA Entities" means each of Holding AA & Fils and Holding AA-OC.

"IFRS" means the International Financial Reporting Standards promulgated by the International Accounting Standards Board or any successor board or agency as endorsed by the European Union as in effect from time to time; *provided, however*, that at any date after the Issue Date the Issuer may make an irrevocable election to establish that "IFRS" shall mean IFRS in effect on a date that is on or prior to the date of such election (but after the Issue Date) for the purpose of the Senior Subordinated Notes Indenture (except for the "*—Reports*" covenant). Except as otherwise set forth in the Senior Subordinated Notes Indenture, all ratios and calculations based on IFRS contained in the Senior Subordinated Notes Indenture shall be computed in accordance with IFRS.

"Incur" means issue, create, assume, enter into any Guarantee of, Incur, extend or otherwise become liable for; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "Incurred", "Incurrence" and "Incurrence" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder.

"Indebtedness" means, with respect to any Person on any date of determination (without duplication):

- (1) the principal of indebtedness of such Person for borrowed money;

- (2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments *plus* the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 60 days of Incurrence);
- (4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;
- (5) Capitalized Lease Obligations of such Person;
- (6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);
- (7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (x) the fair market value of such asset at such date of determination (as determined in good faith by an Officer or the Board of Directors of the Issuer) and (y) the amount of such Indebtedness of such other Persons;
- (8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person (other than by endorsement of negotiable instruments for collection in the ordinary course of business); *provided* that for the purposes of the calculation of the Consolidated Net Leverage Ratio if the net proceeds of any Parent Debt have been on-lent to the Issuer as an Issuer Proceeds Loan and such Parent Debt is Guaranteed by a member of the Group, only the principal of obligations under the Issuer Proceeds Loan in connection with such Parent Debt shall count and the corresponding Guarantee shall be deemed reduced by the amount of such Indebtedness; and
- (9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

Notwithstanding the foregoing, the term "Indebtedness" shall not include (i) Subordinated Shareholder Funding, (ii) prepayments of deposits received from clients or customers in the ordinary course of business, (iii) any pension obligations, (iv) Contingent Obligations in the ordinary course of business, (v) obligations under or in respect of Qualified Receivables Financing, (vi) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business, (vii) non-interest bearing installment obligations and accrued liabilities Incurred in the ordinary course of business that are not more than 120 days past due, (viii) Guarantees of Indebtedness Incurred by franchisees for an aggregate amount at any time outstanding not exceeding €40 million, (ix) indebtedness in respect of the Incurrence by the Issuer or any Restricted Subsidiary of indebtedness in respect of standby letters of credit, performance bonds or surety bonds provided by the Issuer or any Restricted Subsidiary in the ordinary course of business to the extent such letters of credit or bonds are not drawn upon or, if and to the extent drawn upon are honored in accordance with their terms and if, to be reimbursed, are reimbursed no later than the fifth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit or bond, or (x) indebtedness Incurred by the Issuer or one of the Restricted Subsidiaries in connection with a transaction where (A) such indebtedness is borrowed from a bank or trust company, having a combined capital and surplus and undivided profits of not less than €250 million, whose debt has a rating immediately prior to the time such transaction is entered into, of at least A or the equivalent thereof by S&P and A2 or the equivalent thereof by Moody's and (B) a substantially concurrent Investment is made by the Issuer or a Restricted Subsidiary in the form of cash deposited with the lender of such indebtedness, or a Subsidiary or Affiliate thereof, in amount equal to such indebtedness. For the avoidance of doubt and notwithstanding the above, the term "Indebtedness" excludes any accrued expenses and trade payables.

Notwithstanding the foregoing, the term "Indebtedness" shall include Parent Debt (i) on which interest payments are being made pursuant to clause (17)(ii) of the third paragraph of the "*Limitation on Restricted Payments*" covenant and (ii) not Guaranteed by the Issuer or any of its Restricted Subsidiaries, which shall be deemed to have been incurred under the first paragraph or second paragraph of the "*Limitation on Indebtedness*" covenant.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Senior Subordinated Notes Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7) or (8) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

- (1) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter; or
- (2) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes.

"*Independent Financial Advisor*" means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided, however*, that such firm or appraiser is not an Affiliate of the Issuer.

"*Initial Investors*" means any trust, fund, company or partnership owned, managed or advised by Lion Capital, Amboise Partners, Mr. Alain Afflelou or Caisse de Dépôt et Placement du Québec or any of their respective Affiliates or direct or indirect Subsidiaries or any limited partner of any such trust, fund, company or partnership.

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent Entity or any successor of the Issuer or any Parent Entity (the "*IPO Entity*") following which there is a public market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Interest Rate Agreement*" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"*Investment*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided, however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the "*Limitation on Restricted Payments*" covenant.

For purposes of "*Certain covenants—Limitation on Restricted Payments*":

- (1) "Investment" will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary of the Issuer at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Issuer's "Investment" in such Subsidiary at the time of such redesignation *less* (b) the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the fair market value of the net assets (as determined in good faith by an Officer or the Board of Directors of the Issuer) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and
- (2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, (as determined in good faith by an Officer or the Board of Directors of the Issuer) of such Subsidiary.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"*Investment Grade Securities*" means:

- (1) securities issued or directly and fully Guaranteed or insured by the United States government or any agency or instrumentality thereof (other than Cash Equivalents);
- (2) securities issued or directly and fully Guaranteed or insured by a member state of the Pre-Expansion European Union, Switzerland, Canada, the United States of America, any State of the United States or the District of Columbia, or any agency or instrumentality thereof (other than Cash Equivalents);
- (3) debt securities or debt instruments with a rating of "A-" or higher from S&P or "A3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries; and
- (4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

"*Investment Grade Status*" shall occur when the Senior Subordinated Notes receive both of the following:

- (1) a rating of "BBB-" or higher from S&P; and
- (2) a rating of "Baa3" or higher from Moody's,

or the equivalent of such rating by either such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"*IPO Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"*Issue Date*" means , 2021.

"*Issue Date Senior Subordinated Notes Guarantor*" mean each of 3AB Optique Développement and Alain Afflelou Franchiseur (collectively, the "*Issue Date Senior Subordinated Notes Guarantors*").

"*Issuer*" means Afflelou a *société par actions simplifiée* incorporated under the laws of France, that was formerly known as Lion Seneca France 1, and any successor thereto.

"*Issuer Proceeds Loan*" means any loan agreement entered into between a Parent Entity and the Issuer pursuant to which the Parent Entity lends to the Issuer the net proceeds of any Indebtedness Incurred by the Parent Entity; *provided* that (i) the principal amount of, and interest rate on, such Issuer Proceeds Loan will not be greater than the principal amount of, and interest rate on, the Indebtedness Incurred

by the Parent Entity that funded such Issuer Proceeds Loan (except to the extent a reasonable margin is required by law), as such Indebtedness is amended, replaced or otherwise refinanced from time to time and (ii) such Issuer Proceeds Loan shall be subordinated to the Senior Subordinated Notes in right of payment to the Senior Subordinated Notes in accordance with the New Intercreditor Agreement and any Additional Intercreditor Agreement.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"*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 the consummation of which is not conditioned upon the availability of, or on obtaining, third-party financing; *provided* that Consolidated EBITDA, other than for purposes of calculating any ratios in connection with the Limited Condition Acquisition and the related transactions, shall not include any Consolidated EBITDA of or attributable to the target company or assets involved in any such Limited Condition Acquisition unless and until the closing of such Limited Condition Acquisition shall have actually occurred.

"*L'Opticien Afflelou Proceeds Loan*" means the proceeds loan from 3AB Optique Développement to L'Opticien Afflelou in a maximum principal amount of €20.0 million.

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent Entity, the Issuer or any Restricted Subsidiary:

- (1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer or its Subsidiaries or any Parent Entity with (in the case of this sub-clause (b)) the approval of the Board of Directors;
- (2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or
- (3) (in the case of this clause (3)) not exceeding €2.5 million in the aggregate outstanding at any time.

"*Management Investors*" means the current or former officers, directors, employees and other members of the management of or consultants to any Parent Entity, the Issuer or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Issuer, any Restricted Subsidiary or any Parent Entity.

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Moody's*" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Nationally Recognized Statistical Rating Organization*" means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) of the Exchange Act.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

- (1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a

- liability under IFRS (after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Disposition;
- (2) all payments made on any Indebtedness (i) which is secured by any assets subject to such Asset Disposition, or (ii) which must by its terms, or in order to obtain necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;
  - (3) all distributions and other payments required to be made to minority interest holders (other than any Parent Entity, the Issuer or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and
  - (4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition.

"*Net Cash Proceeds*", with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

"*New Intercreditor Agreement*" means the New Intercreditor Agreement dated on or about the Issue Date by and among, *inter alios*, the Issuer, the Senior Subordinated Notes Trustee, the trustee with respect to the Senior Secured Notes, the Security Agent, and certain other parties thereto, as amended from time to time.

"*New Revolving Credit Facility*" means the revolving credit facility available pursuant to the New Revolving Credit Facility Agreement.

"*New Revolving Credit Facility Agreement*" means the revolving credit facility agreement dated on or prior to the Issue Date among, *inter alios*, the Issuer and the agent thereunder, as it shall be restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

"*Offering*" means the offering and issuance of the Senior Subordinated Notes and the Senior Secured Notes and the application of the gross proceeds therefrom.

"*Offering Memorandum*" means the final offering memorandum in relation to the Senior Subordinated Notes and the Senior Secured Notes.

"*Officer*" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Senior Subordinated Notes Indenture by the Board of Directors of such Person.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*Opinion of Counsel*" means a written opinion in form and substance reasonably satisfactory to the Senior Subordinated Notes Trustee from legal counsel reasonably satisfactory to the Senior Subordinated Notes Trustee. The counsel may be an employee of or counsel to the Issuer or its Subsidiaries.

"*Parent Debt*" means any Indebtedness Incurred by a Parent Entity, the interest of which is being serviced pursuant to clause (17) of the definition of "Permitted Payments".

"*Parent Debt Contribution*" means the issuance by the Issuer of any Capital Stock, Preferred Stock, Subordinated Shareholder Funding, the contribution to the equity of the Issuer or the Incurrence of any debt instrument by the Issuer pursuant to which, in each case, the net proceeds of Parent Debt is contributed to the Issuer or any of its Restricted Subsidiaries.

"*Parent Entity*" of the Issuer means any other Person (other than a natural person) that (i) legally and beneficially owns more than 50% of the Voting Stock of the Issuer, either directly or through one or more Subsidiaries, (ii) is a Subsidiary of any Person referred to in the preceding clause or (iii) any



holding companies established by any Permitted Holder for purposes of holding its investment in any Parent Entity; *provided, however*, that in no event shall any Subsidiary of the Issuer constitute its Parent Entity.

"*Parent Expenses*" means:

- (1) costs (including all professional fees and expenses) Incurred by any Parent Entity or any Holding AA Entity in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, in each case, to the extent relating to Indebtedness of the Issuer or a Restricted Subsidiary, the Senior Subordinated Notes Indenture, the Senior Secured Notes Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;
- (2) customary indemnification obligations of any Parent Entity or any Holding AA Entity owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Issuer and its Subsidiaries;
- (3) obligations of any Parent Entity or any Holding AA Entity in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and its Subsidiaries;
- (4) fees and expenses payable by any Parent Entity or any Holding AA Entity in connection with the Transactions;
- (5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent Entity or any Holding AA Entity related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries or (b) costs and expenses with respect to any litigation or other dispute relating to the Transactions or the ownership, directly or indirectly, of the Issuer by any Parent Entity or any Holding AA Entity;
- (6) other fees, expenses and costs relating directly or indirectly to activities of the Issuer and its Subsidiaries or any Parent Entity, any Holding AA Entity or any other Person which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed €2 million in any fiscal year;
- (7) expenses Incurred by any Parent Entity or any Holding AA Entity in connection with any public offering or other sale of Capital Stock or Indebtedness:
  - (x) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary;
  - (y) 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
  - (z) otherwise on an interim basis prior to completion of such offering so long as any Parent Entity or any Holding AA Entity shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed; and
- (8) fees, taxes, expenses and costs required to maintain the corporate existence of any Parent Entity or any Holding AA Entity.

"*Pari Passu Indebtedness*" means (1) with respect to the Issuer, any Indebtedness that ranks *pari passu* in right of payment to the Senior Subordinated Notes and (2) with respect to any Senior Subordinated Notes Guarantor, any Indebtedness that ranks *pari passu* in right of payment to such Senior Subordinated Notes Guarantor's Senior Subordinated Notes Guarantee.

"*Paying Agent*" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Senior Subordinated Note on behalf of the Issuer.

"*Permitted Asset Swap*" means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents or Temporary Cash Investments between the Issuer or any of its Restricted Subsidiaries and another Person; *provided* that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or

exchanged must be applied in accordance with the "*Limitation on sales of assets and subsidiary stock*" covenant.

"*Permitted Collateral Liens*" means:

- (1) Liens on the Senior Subordinated Notes Collateral to secure the Senior Secured Notes or the Senior Subordinated Notes on the Issue Date and the Senior Secured Notes Guarantees of such Senior Secured Notes and the Senior Subordinated Notes Guarantees of such Senior Subordinated Notes and any Refinancing Indebtedness in respect thereof (and any Refinancing Indebtedness in respect of Refinancing Indebtedness); *provided* that each of the parties thereto will have entered into the New Intercreditor Agreement or an Additional Intercreditor Agreement;
- (2) Liens on the Senior Subordinated Notes Collateral that are described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (10), (11), (12), (13), (14), (15), (17), (19), (20), (21), (22), (23) and (29) of the definition of "Permitted Liens";
- (3) Liens on the Senior Subordinated Notes Collateral to secure any Indebtedness (including any Additional Senior Subordinated Notes) that are permitted to be Incurred under (a) the first paragraph of the "*Limitation on Indebtedness*" covenant or (b) clause (5) of the second paragraph of the "*Limitation on Indebtedness*" covenant (that is Incurred, with respect to this clause (3)(b) only, by the Issuer or a Senior Subordinated Notes Guarantor) and (c) any Refinancing Indebtedness in respect of any of the foregoing (and any Refinancing Indebtedness in respect of Refinancing Indebtedness);
- (4) Liens on the Senior Subordinated Notes Collateral to secure any Indebtedness that is permitted to be Incurred under clauses (1), (2) (in the case of clause (2), to the extent such Senior Subordinated Notes Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in clauses (3) and (4) of the definition of "Permitted Collateral Liens"), (4)(a) and (c) (to the extent the Indebtedness refinanced was secured by Liens on the Senior Subordinated Notes Collateral), (6), (11) and (15) of the second paragraph of the "*Limitation on Indebtedness*" covenant and any Refinancing Indebtedness in respect of any of the foregoing (and any Refinancing Indebtedness in respect of Refinancing Indebtedness);
- (5) Liens on the Senior Subordinated Notes Collateral to secure any Indebtedness that is permitted to be Incurred under clause (7) of the second paragraph of the "*Limitation on Indebtedness*" covenant; and
- (6) any Lien securing Indebtedness (including Parent Debt and any Guarantee thereof) on a basis junior to the Senior Subordinated Notes;

*provided, however*, in the case of clauses (3), (4), (5) and (6), that

- (A) any such Indebtedness is subject to the New Intercreditor Agreement or to an Additional Intercreditor Agreement; and
- (B) the Senior Subordinated Notes Collateral securing such Indebtedness shall also secure the Senior Subordinated Notes or the Senior Subordinated Notes Guarantees on a senior or *pari passu* basis or, if such Indebtedness constitutes Senior Indebtedness, on a second-priority basis; *provided* that, with respect to Indebtedness that is Incurred under clauses (1), (6) and (7) of the second paragraph of the "*Limitation on Indebtedness*" covenant, such Indebtedness may receive priority with respect to distributions of proceeds of any enforcement of Senior Subordinated Notes Collateral.

"*Permitted Holders*" means (1) the Initial Investors and their Affiliates and Related Persons, (2) Senior Management, (3) the Holding AA Entities, and (4) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent Entity or the Issuer, acting in such capacity. Any person or group whose acquisition of beneficial ownership constitutes (i) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Senior Subordinated Notes Indenture or (ii) a Change of Control which is also a Specified Change of Control Event will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted Investment*" means (in each case, by the Issuer or any of its Restricted Subsidiaries):

- (1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) a Person (including the Capital Stock of any such Person) that is engaged in any Similar Business and such Person will, upon the making of such Investment, become a Restricted Subsidiary;
- (2) Investments in another Person if such Person is engaged in any Similar Business and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;
- (3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business;
- (5) Investments in payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;
- (6) Management Advances;
- (7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;
- (8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "*Certain covenants—Limitation on sales of assets and subsidiary stock*";
- (9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date and disclosed in the Offering Memorandum as having occurred or as may be about to occur;
- (10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "*Certain covenants—Limitation on Indebtedness*";
- (11) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the "*Limitation on Liens*" covenant;
- (12) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock) or Subordinated Shareholder Funding or Capital Stock of any Parent Entity as consideration;
- (13) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the "*Limitation on Affiliate Transactions*" covenant (except those described in clauses (1), (3), (8), (9) and (12) of that paragraph);
- (14) Guarantees not prohibited by the "*Limitation on Indebtedness*" covenant and (other than with respect to Indebtedness) loans, Guarantees, keepwells and similar arrangements in the ordinary course of business, including Guarantees of the obligations of, and loans to, franchisees;
- (15) advances, loans or other extensions of credit to any joint venture or franchisee (but not, for the avoidance of doubt, any purchase or acquisition of Capital Stock of a joint venture or franchisee or any other form of contribution to the equity of such joint venture to franchisee) in the ordinary course of business;
- (16) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property or Investments in franchisees or franchised stores in respect of any such purchases and acquisitions, in any case, in the ordinary course of business and otherwise in accordance with the Senior Subordinated Notes Indenture;

- (17) (i) Investments in franchisees or franchisees' stores and (ii) Investments in joint ventures of the Issuer or any of its Restricted Subsidiaries and Investments in Unrestricted Subsidiaries that do not exceed, collectively for (i) and (ii), an aggregate principal amount of the greater of (x) €15 million and (y) 14.4% of Consolidated EBITDA outstanding at any time; *provided, however*, that if any Investment pursuant to this clause (17) is made in any Person that is not a Restricted Subsidiary of the Issuer at the date of the making of such Investment and such Person becomes a Restricted Subsidiary of the Issuer after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) above and shall cease to have been made pursuant to this clause (17) for so long as such Person continues to be a Restricted Subsidiary;
- (18) Investments in the Senior Subordinated Notes and any Additional Senior Subordinated Notes;
- (19) loans or other Investments required to be entered into in connection with a Qualified Receivables Financing; and
- (20) Investments, taken together with all other Investments made pursuant to this clause (20) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed the greater of (x) €15 million and (y) 14.4% of Consolidated EBITDA; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the "*Limitation on Restricted Payments*" covenant, 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 (20).

"*Permitted Liens*" means, with respect to any Person:

- (1) Liens on assets or property of a Restricted Subsidiary that is not a Senior Subordinated Notes Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Senior Subordinated Notes Guarantor;
- (2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion Guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, Guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for 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;
- (3) Liens imposed by law or agreement of similar effect, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other like Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;
- (4) Liens for taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;
- (5) Liens in favor of issuers of surety, performance or other bonds, Guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of its business and Liens to secure cash management services or to implement cash pooling arrangements or to cash collateralize letters of credit or similar instruments in the ordinary course of business;
- (6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and its Restricted Subsidiaries;

- (7) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Hedging Obligations permitted under the Senior Subordinated Notes Indenture;
- (8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;
- (9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired and Liens imposed by any legal or administrative authority in connection with pre-judgment proceedings;
- (10) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depository or financial institution;
- (11) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;
- (12) with respect to the Issuer and the Restricted Subsidiaries, Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date;
- (13) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary); *provided, however*, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided, further*, that such Liens are limited to all or part of the same property, other assets or stock (*plus* improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;
- (14) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Indebtedness or other obligations of such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Restricted Subsidiary;
- (15) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Senior Subordinated Notes Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (*plus* improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;
- (16) (i) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease and (ii) any Liens on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing Purchase Money Obligations or Capitalized Lease Obligations; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Senior Subordinated Notes Indenture and (b) any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;
- (17) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary of the Issuer has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

- (18) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;
- (19) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;
- (20) Liens on Receivables Assets Incurred in connection with a Qualified Receivables Financing;
- (21) Liens on escrowed proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;
- (22) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;
- (23) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;
- (24) Liens securing Indebtedness or other obligations of a Receivables Subsidiary;
- (25) Permitted Collateral Liens;
- (26) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;
- (27) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures or in favor of other joint venture partners;
- (28) Liens arising as a result of a disposition, whether or not deemed to be an Asset Disposition;
- (29) Liens securing Indebtedness Incurred pursuant to local lines of credit and overdraft facilities;
- (30) (a) Liens created for the benefit of or to secure the Senior Subordinated Notes and the Senior Subordinated Notes Guarantees, (b) Liens pursuant to the New Intercreditor Agreement and the security documents entered into pursuant to the New Revolving Credit Facility and (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing as among the Holders of the Senior Subordinated Notes and the creditors of such Indebtedness pursuant to the New Intercreditor Agreement or an Additional Intercreditor Agreement;
- (31) Liens; *provided* that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (31) does not exceed the greater of (x) €25 million and (y) 24.0% of Consolidated EBITDA; and
- (32) Liens on assets or property of the Issuer securing Senior Indebtedness.

*“Permitted Reorganization”* means one or more amalgamations, combinations, mergers, demergers, liquidations, corporate dissolutions, reconstructions or other reorganizations on a solvent basis of any Restricted Subsidiary of the Issuer where: (1)(A) all the business and assets of such Restricted Subsidiary continue to be owned or held by Restricted Subsidiaries of the Issuer (and if such Restricted Subsidiary was a Senior Subordinated Notes Guarantor immediately prior to such reorganization being implemented, substantially all the business and assets of such Restricted Subsidiary are retained by one or more Senior Subordinated Notes Guarantors) and (B) any payments or assets distributed in connection with such reorganization remain within the Issuer and its Restricted Subsidiaries; (2) the Security Agent and the Trustee shall take any action necessary to effect any releases of Senior Subordinated Notes Collateral requested by the Issuer in connection with the reorganization (other than Senior Subordinated Notes Collateral pledged by any Parent); *provided* that, reasonably promptly after completion of the reorganization, Liens securing the Senior Subordinated Notes or the Senior Subordinated Notes Guarantees are retaken over assets, Capital Stock and other property such that the Liens over the new Senior Subordinated Notes Collateral will (taken as a whole together with any pre-existing Liens on Senior Subordinated Notes Collateral that were not released in connection with

the reorganization) be substantially equivalent (as determined in good faith by the Board of Directors or Senior Management of the Issuer) to the Liens that were in place immediately prior to the reorganization; (3) the Security Agent and the Trustee shall take any action necessary to effect any releases of Senior Subordinated Notes Guarantees requested by the Issuer in connection with the re-organization; *provided* that, reasonably promptly after completion of the reorganization, Senior Subordinated Notes Guarantees are provided by such Restricted Subsidiaries of the Issuer as is necessary to procure that such new Senior Subordinated Notes Guarantees will (taken as a whole together with any pre-existing Senior Subordinated Notes Guarantees that were not released in connection with the reorganization) be substantially equivalent (as determined in good faith by the Board of Directors or Senior Management of the Issuer) to the Senior Subordinated Notes Guarantees existing prior to the reorganization; and (4) prior to the reorganization, the Issuer will provide to the Trustee and the Security Agent an Officer's Certificate confirming (i) that no Default is continuing or would arise as a result of such reorganization and (ii) that such reorganization complies with the requirements set out in this definition.

"*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.

"*Post-Issue Date Senior Subordinated Notes Guarantor*" means each of Alain Afflelou International, 3ABOE, LSFA and L'Opticien Afflelou (collectively, the "*Post-Issue Date Senior Subordinated Notes Guarantors*").

"*Pre-Expansion European Union*" means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after 1 January 2004.

"*Preferred Stock*" as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary, winding up or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (i) a public offering registered under the Securities Act or (ii) a private placement to institutional and other investors, in each case, that are not Affiliates of the Issuer, in accordance with Section 4(a)(2) of and/or Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public Offering*" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A and/or Regulation S under the Securities Act to professional market investors or similar persons).

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Qualified Receivables Financing*" means any Receivables Financing that meets the following conditions: (1) an Officer or the Board of Directors of the Issuer shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer or the relevant Subsidiary of the Issuer, (2) all sales of accounts receivable and related assets of the Issuer or the relevant Subsidiary of the Issuer are made at fair market value (as determined in good faith by an Officer or the Board of Directors of the Issuer), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Issuer) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Issuer or any of its Restricted Subsidiaries to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Senior Subordinated Notes shall not be deemed a Qualified Receivables Financing.

*"Rating Agency"* means S&P Global Ratings Europe Limited (S&P) or its successor, Moody's Investors Service Ltd (Moody's) or its successor and Fitch Ratings (Fitch) (or, if any or all of these agencies cease to exist or publish ratings generally or if the Issuer so decides, any alternative internationally recognized rating agency or agencies which has, at the request of the Issuer, assigned a credit rating to the Issuer.

*"Receivables Assets"* means any assets that are or will be the subject of a Qualified Receivables Financing.

*"Receivables Fees"* means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

*"Receivables Financing"* means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer to any other Person, or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Issuer or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all Guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Issuer or any such Subsidiary in connection with such accounts receivable.

*"Receivables Repurchase Obligation"* means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

*"Receivables Subsidiary"* means a Wholly Owned Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Issuer (as provided below) as a Receivables Subsidiary and:

- (1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is Guaranteed by the Issuer or any Restricted Subsidiary of the Issuer (excluding Guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a Guarantee of any losses on securitized or sold receivables by the Issuer or any Restricted Subsidiary of the Issuer, (iii) is recourse to or obligates the Issuer or any other Restricted Subsidiary of the Issuer in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Issuer or any Restricted Subsidiary of the Issuer, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;
- (2) with which neither the Issuer nor any Restricted Subsidiary of the Issuer has any contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and
- (3) to which neither the Issuer nor any Restricted Subsidiary of the Issuer has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Senior Subordinated Notes Trustee by filing with the Senior Subordinated Notes Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

*"Recognized Stock Exchange"* means a regulated market operated by any of Euronext, the New York Stock Exchange, NASDAQ, the Deutsche Börse, the Toronto Stock Exchange, the London Stock



Exchange, the Amsterdam Stock Exchange, the Hong Kong Stock Exchange, the Singapore Exchange or such other similar regulated national securities exchange.

"*refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "*refinances*", "*refinanced*" and "*refinancing*" as used for any purpose in the Senior Subordinated Notes Indenture shall have a correlative meaning.

"*Refinancing*" means the redemption and repayment in full of the Existing Notes, the cancellation in full of the Existing Revolving Credit Facility, the repayment of the PGE Loan and the entering into of the New Revolving Credit Facility Agreement.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Senior Subordinated Notes Indenture or Incurred in compliance with the Senior Subordinated Notes Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Issuer or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided, however*, that:

- (1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or the Senior Subordinated Notes;
- (2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (*plus*, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and
- (3) if the Indebtedness being refinanced is expressly subordinated to the Senior Subordinated Notes, such Refinancing Indebtedness is subordinated to the Senior Subordinated Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced;

*provided, however*, that Refinancing Indebtedness shall not include (x) Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary and (y) Indebtedness of a Restricted Subsidiary of the Issuer that is not a Senior Subordinated Notes Guarantor that refinances Indebtedness of the Issuer or a Senior Subordinated Notes Guarantor.

"*Related Person*" with respect to any Permitted Holder, means:

- (1) any controlling equity holder or majority (or more) owned Subsidiary of such Person;
- (2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof;
- (3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or
- (4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"*Related Taxes*" means:

- (1) any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding Taxes), required to be paid (*provided* such Taxes are in fact paid) by any Parent Entity by virtue of its:

- (a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries);
  - (b) issuing or holding Subordinated Shareholder Funding;
  - (c) being a holding company Parent Entity, directly or indirectly, of the Issuer or any of the Issuer's Subsidiaries;
  - (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any of the Issuer's 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 Parent Entity pursuant to "*Certain covenants—Limitation on Restricted Payments*"; or
- (2) if and for so long as the Issuer is a member of a group filing a consolidated or combined tax return with any Parent Entity, any consolidated and combined Taxes measured by income 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 if the Issuer and its Subsidiaries had paid such Taxes on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Subsidiaries.

"*Representative*" means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"*S&P*" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Security Agent*" means U.S. Bank Trustees Limited, acting as security agent pursuant to the New Intercreditor Agreement or such successor Security Agent or any delegate thereof as may be appointed thereunder or any such security agent, delegate or successor thereof pursuant to an Additional Intercreditor Agreement.

"*Security Documents*" means the security agreements, pledge agreements, collateral assignments, call options and any other instrument and document executed and delivered pursuant to the Senior Subordinated Notes Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Senior Subordinated Notes Collateral.

"*Senior Indebtedness*" means, whether outstanding on the Issue Date or thereafter Incurred, all amounts payable by, under or in respect of all other Indebtedness of the Issuer or any Senior Subordinated Notes Guarantor, including premiums and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Issuer or such Senior Subordinated Notes Guarantor at the rate specified in the documentation with respect thereto whether or not a claim for post filing interest is allowed in such proceeding) and fees relating thereto; *provided, however*, that Senior Indebtedness will not include:

- (1) any Indebtedness Incurred in violation of the Senior Subordinated Notes Indenture;
- (2) any obligation of the Issuer or any Senior Subordinated Notes Guarantor to any Restricted Subsidiary;
- (3) any liability for taxes owed or owing by the Issuer or any Restricted Subsidiary;
- (4) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities);

- (5) any Indebtedness, guarantee or obligation of the Issuer or any Senior Subordinated Notes Guarantor that is expressly subordinated or junior in right of payment to any other Indebtedness, guarantee or obligation of the Issuer or such Senior Subordinated Notes Guarantor; or
- (6) any Capital Stock.

"*Senior Management*" means the officers, directors, and other members of senior management of the Issuer or any of its Subsidiaries, who at any date beneficially own or have the right to acquire, directly or indirectly (including through a Holding AA Entity), Capital Stock of the Issuer or any Parent Entity.

"*Senior Secured Notes*" means the €410.0 million aggregate principal amount of senior secured notes due 2026 issued concurrently with the Senior Subordinated Notes.

"*Senior Subordinated Notes Documents*" means the Senior Subordinated Notes (including Additional Senior Subordinated Notes), the Senior Subordinated Notes Indenture, the Security Documents, the New Intercreditor Agreement and any Additional Intercreditor Agreements.

"*Senior Subordinated Notes Guarantor*" means each of the Issue Date Senior Subordinated Notes Guarantors and the Post-Issue Date Senior Subordinated Notes Guarantors and any Additional Senior Subordinated Notes Guarantor that executes a supplemental indenture in accordance with the provisions of the Senior Subordinated Notes Indenture, and their respective successors and assigns, in each case, until the Senior Subordinated Notes Guarantee of such Person has been released in accordance with the provisions of the Senior Subordinated Notes Indenture (collectively, the "*Senior Subordinated Notes Guarantors*").

"*Senior Subordinated Notes Indenture*" means the indenture to be entered into on the Issue Date by and between the Issuer, the Issue Date Senior Subordinated Notes Guarantors, the Trustee and the Security Agent pursuant to which the Issuer will issue Senior Subordinated Notes and the Senior Subordinated Notes Guarantors thereunder will grant the Senior Subordinated Notes Guarantees, which term for avoidance of doubt shall also include such supplemental indentures executed and delivered by the Post-Issue Date Senior Subordinated Notes Guarantors in respect of the Senior Subordinated Notes Guarantees granted thereby.

"*Shareholder Bond Repayment*" means the partial repayment, on the Issue Date by the Issuer to the holders of the Shareholder Bonds, of a portion of the Shareholder Bonds for a total of €135.0 million.

"*Shareholder Bonds*" means the shareholder convertible bonds which were issued by the Issuer, held by Lion / Seneca Lux 2 and Holding AA-OC; the Shareholder Bonds are convertible into ordinary shares of the Issuer; the Shareholder Bonds accrue pay-in-kind interest, mature on July 17, 2027, represent subordinated obligations of the Issuer and will be expressly subordinated by their terms to the Notes and the New Revolving Credit Facility, as further described in "*Description of Certain Other Indebtedness and Other Arrangements—Shareholder Bonds*".

"*Significant Subsidiary*" means any Restricted Subsidiary that meets any of the following conditions:

- (1) the Issuer and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;
- (2) the Issuer's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or
- (3) the Issuer's and its Restricted Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Restricted Subsidiary exceeds 10% of such income of the Issuer and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"*Similar Business*" means (a) any businesses, services or activities engaged in by the Issuer or any of its Subsidiaries or any Associates on the Issue Date and (b) any businesses, services and activities engaged in by the Issuer or any of its Subsidiaries that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof, including any business, services and activities relating to hearing aids.

"*Specified Change of Control Event*" means the occurrence of any event that would constitute a Change of Control Triggering Event pursuant to the definition thereof; *provided* that immediately thereafter and giving *pro forma* effect thereto, the Consolidated Net Leverage Ratio of the Issuer would have been less than (x) 5.20 to 1.0, if the date of such occurrence is prior to the twenty-four month anniversary of the Issue Date or (y) 4.95 to 1.00 thereafter. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Senior Subordinated Notes Indenture after the Issue Date.

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and Guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Receivables Financing, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations 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 Senior Subordinated Notes and any Senior Subordinated Notes Guarantee pursuant to a written agreement.

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to the Issuer by any Parent Entity, any Affiliate of any Parent Entity or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided, however*, that such Subordinated Shareholder Funding:

- (1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Senior Subordinated Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition);
- (2) does not require, prior to the first anniversary of the Stated Maturity of the Senior Subordinated Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;
- (3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the date that is six months following the Stated Maturity of the Senior Subordinated Notes;
- (4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and
- (5) pursuant to the New Intercreditor Agreement, an Additional Intercreditor Agreement or another New Intercreditor Agreement, is fully subordinated and junior in right of payment to the Senior Subordinated Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding.

Subordinated Shareholder Funding shall be deemed to include any payment-in-kind ("*PIK*") notes issued in payment of interest thereon.

"*Subsidiary*" means, with respect to any Person:

- (1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or
- (2) any partnership, joint venture, limited liability company or similar entity of which:

- (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and
- (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Taxes*" means all present and future taxes, levies, imposts, deductions, charges, duties, assessments and withholdings and any charges of a similar nature (including interest, penalties, additions to tax and other liabilities with respect thereto) that are imposed or levied by any government or other taxing authority.

"*Temporary Cash Investments*" means any of the following:

- (1) any investment in
  - (a) direct obligations of, or obligations Guaranteed by, (i) a member state of the Pre-Expansion European Union, Switzerland, Canada, the United States of America, any State of the United States or the District of Columbia, (ii) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (iii) any agency or instrumentality of any such country or member state, or
  - (b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:
  - (a) any lender under the New Revolving Credit Facility,
  - (b) any institution authorized to operate as a bank in any of the countries or member states referred to in subclause (1)(a) above, or
  - (c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

- (1) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;
- (2) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (3) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of any member state of the Pre-Expansion European Union, Switzerland, Canada or the United States of America, or by any

political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB-" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

- (4) bills of exchange issued in any member state of the Pre-Expansion European Union, Switzerland, Canada or the United States of America, any State of the United States or the District of Columbia eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);
- (5) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organisation for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;
- (6) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution); and
- (7) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"*Transactions*" means, collectively, (i) the Offering, (ii) the Refinancing, (iii) the Shareholder Bond Repayment and (iv) the payment of commissions, fees and expenses incurred in connection the Offering, the Refinancing and the Shareholder Bond Repayment.

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Unrestricted Subsidiary*" means:

- (1) any Subsidiary of the Issuer (other than 3AB Optique Développement) that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and
- (2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if, at the time of such designation:

- (1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and
- (2) such designation and the Investment of the Issuer in such Subsidiary complies with "*Certain covenants—Limitation on Restricted Payments*".

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Senior Subordinated Notes Trustee by filing with the Senior Subordinated Notes Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2) (x) the Issuer could Incur at least €1.00 of additional Indebtedness under the first paragraph of the "*Limitation on Indebtedness*" covenant or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors of the Issuer shall be evidenced to the Senior Subordinated Notes Trustee by promptly filing with the Senior Subordinated Notes Trustee a copy of the resolution of such Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

*"Voting Stock"* of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

*"Wholly Owned Subsidiary"* means a Restricted Subsidiary of the Issuer, 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

Each series of Notes sold within the United States to QIBs 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**"). Each series of Notes sold outside the United States in offshore transactions pursuant to Regulation S will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Regulation S Global Notes**" and, together with the 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 ("**Rule 144A Book-Entry Interests**") and ownership of interests in the Regulation S Global Notes (the "**Regulation S Book-Entry Interests**" and, together with the 144A Book-Entry Interests, the "**Book-Entry Interests**") will be limited to persons who have accounts with Euroclear and/or Clearstream or persons who 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 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 certificated 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 Indentures for any purpose.

So long as the Notes are held in global form, the common depository for Euroclear and/or Clearstream (or their or its respective nominee), will be considered the sole holder of Global Notes for all purposes under the Indentures. 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 of the Notes under the Indentures.

None of the Issuer and no Trustee under the Indentures, Agent 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 Indentures, owners of Book-Entry Interests will receive definitive Notes in registered form (the "**Definitive Registered Notes**"):

- if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depository for the Global Notes and a successor depository is not appointed by the Issuer;
- if Euroclear or Clearstream so requests following an event of default under the Indentures; or
- if the owner of a Book-Entry Interests requests such exchange in writing delivered through Euroclear or Clearstream following an event of default under the Indentures and enforcement action is being taken in respect thereof under the Indentures.

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 "*Transfer Restrictions*" unless such legend is not required by the Indentures 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 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 them or 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**

Payments of amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts then required to be paid under the Notes) will be made by the Issuer to the Paying Agent. In turn, the Paying Agent will make such payments to Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective procedures. We expect that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indentures, the Issuer, the relevant Trustee and the relevant Agent will treat the registered holder of the Global Notes (i.e., the common depositary for Euroclear or Clearstream (or its nominee)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer and no Trustee or Agent or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- Euroclear, Clearstream or any participant or indirect participant; or
- any other matters relating to the actions and practices of 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.

### **Currency and 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 in such Notes through Euroclear and/or Clearstream in euro.

### **Action by owners of book-entry interests**

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

### **Transfers**

Transfers between participants in Euroclear or Clearstream will be effected in accordance with Euroclear's and Clearstream's rules and will be settled in immediately available funds. If a holder of Notes requires the physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states that require the 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 Indentures.

The Global Notes will bear a legend to the effect set forth under "*Transfer Restrictions*". Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Transfer Restrictions*".

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indentures) to the effect that such transfer is being made in accordance with Regulation S or Rule 144A or any other exemption (if available under the Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indentures) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of the Senior Secured Notes—Transfer and exchange*" and "*Description of the Senior Subordinated Notes—Transfer and exchange*", and, if required, only if the transferor first delivers to the relevant Trustee a written certificate (in the form provided in the Indentures) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "*Transfer Restrictions*".

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

### **Information concerning Euroclear and Clearstream**

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Issuer nor any of the Initial Purchasers, any Trustee or any Agent is responsible for those operations or procedures.

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Euroclear and Clearstream have no record of or relationship with persons holding through their account holders. 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 or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will

receive distributions attributable to the 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 admitted to trading on the Global Exchange Market and listed on the Official List of Euronext Dublin. The Issuer expects that secondary trading in any Notes will be settled in accordance with rules and operating procedures of Euroclear, Clearstream and/or Euronext Dublin.

Although Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of us and no Trustee or Agent will have any responsibility for the performance by Euroclear, Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

### **Initial settlement**

Initial settlement for the Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

### **Secondary market trading**

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

### **Special Timing Considerations**

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Notes through Euroclear or Clearstream on days when those systems are open for business.

## Certain Tax Considerations

*Prospective purchasers of the Notes are advised to consult their tax advisors as to the tax consequences, under the tax laws of the country in which they are resident, of a purchase of Notes including, without limitation, the consequences of receipt of interest and premium, if any, on and sale or redemption of, the Notes or any interest therein.*

### **Certain U.S. federal income tax considerations**

The following is a discussion of certain US federal income tax considerations related to the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. This discussion is limited to consequences relevant to a US holder (as defined below) except for the discussion of FATCA (as defined under "*Foreign Account Tax Compliance Act*"), and does not address the effects of any US federal tax laws other than US federal income tax laws (such as estate and gift tax laws) or any state, local or non-US tax laws. This discussion is based upon the US Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury regulations issued thereunder (the "**Treasury Regulations**"), and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. No rulings from the US Internal Revenue Service (the "**IRS**") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the US federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances, including the impact of the unearned income Medicare contribution tax, or to holders subject to special rules, such as certain financial institutions, US expatriates, insurance companies, individual retirement accounts, dealers in securities or currencies, traders in securities, US holders whose functional currency is not the US dollar, tax-exempt entities, regulated investment companies, real estate investment trusts, partnerships or other pass through entities and investors in such entities, holders of Existing Notes that are redeemed in the substantially simultaneous redemption transactions, persons liable for alternative minimum tax, US holders that are resident in or have a permanent establishment in a jurisdiction outside the United States, persons holding the 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 "**US holder**" is a beneficial owner of a Note that is, for US federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation for US federal income tax purposes created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) any estate the income of which is subject to US federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a US person.

If any entity or arrangement treated as a partnership for US federal income tax purposes holds the Notes, the US tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership considering an investment in the Notes, and partners in such a partnership, should consult their tax advisors regarding the US federal income tax consequences of the purchase, ownership and disposition of the Notes.

**Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the US federal income tax considerations discussed below, as well as the application of other federal, state, local, non-US or other tax laws.**

### ***Payments of Stated Interest***

Payments of stated interest on the Notes (as well as any additional amounts paid with respect to withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a US holder as ordinary income at the time that such payments are received or accrued, in accordance with such US holder's method of accounting for US federal income tax purposes.

A US holder that uses the cash method of accounting for US federal income tax purposes and that receives a payment of stated interest on the Notes will be required to include in income (as ordinary income) the US dollar value of the euro interest payment (translated at the spot rate of exchange on the date such payment is received) regardless of whether the payment is in fact converted to US dollars at such time. A cash method US holder will not recognize foreign currency exchange gain or loss with respect to the receipt of such interest, but may recognize exchange gain or loss attributable to the actual disposition of the euro so received.

A US holder that uses the accrual method of accounting for US federal income tax purposes (or who otherwise is required to accrue interest prior to receipt) will be required to include in income (as ordinary income) the US dollar value of the amount of stated interest income in euro that has accrued with respect to its Notes during an accrual period. The US dollar value of such euro denominated accrued interest will be determined by translating such amount at the average spot rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate of exchange for the partial period within each taxable year. An accrual basis US holder may elect, however, to translate such accrued interest income into US dollars at the spot rate of exchange on the last day of the interest accrual period or, with respect to an accrual period that spans two taxable years, at the spot rate of exchange on the last day of the taxable year. Alternatively, if the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a US holder that has made the election described in the prior sentence may translate such interest at the spot rate of exchange on the date of receipt of the interest. The above election will apply to other debt instruments held by an electing US holder and may not be changed without the consent of the IRS. A US holder that uses the accrual method of accounting for US federal income tax purposes will recognize exchange gain or loss with respect to accrued interest income on the date such interest is received. The amount of exchange gain or loss recognized will equal the difference, if any, between the US dollar value of the euro payment received (translated at the spot rate of exchange on the date such interest is received) with respect to such accrual period and the US dollar value of the interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to US dollars at such time. Any such exchange gain or loss generally will constitute ordinary income or loss and be treated, for foreign tax credit purposes, as US source income or loss, and generally not as an adjustment to interest income or expense.

### **Original Issue Discount**

The Notes may be issued with original issue discount ("**OID**") for US federal income tax purposes. A series of Notes will be treated as issued with OID if the stated principal amount of such series of Notes exceeds its issue price (as defined above) by an amount equal to or greater than a statutorily defined *de minimis* amount (generally, 0.0025 multiplied by the stated principal amount and the number of complete years to maturity from the issue date).

In the event a series of Notes is issued with OID, US holders of such series of Notes generally will be required to include such OID in gross income (as ordinary income) for US federal income tax purposes on an annual basis under a constant yield accrual method regardless of their regular method of accounting for US federal income tax purposes. As a result, US holders of such series of Notes generally will include any OID in income in advance of the receipt of cash attributable to such income.

The amount of any OID with respect to a Note includible in income by a US holder is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion thereof in which such US holder holds such Note. A daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID that accrued in such period. The accrual period of a Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or last day of an accrual period. The amount of OID that accrues with respect to any accrual period is the excess of (i) the product of the Note's "adjusted issue price" at the beginning of such accrual period and its "yield to maturity", determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of such period, over (ii) the amount of stated interest allocable to such accrual period. The adjusted issue price of a Note at the start of any accrual period generally is equal to its issue price, increased by the accrued OID for each prior accrual period. The

yield to maturity of a Note is the discount rate that, when used in computing the present value of all principal and interest payments to be made under the Note, produces an amount equal to the issue price of the Note. For purposes of determining OID accruals and adjusted issue price with respect to the Senior Subordinated Notes only, the amounts of stated interest and OID are determined by assuming that the interest rate on the Senior Subordinated Notes is a fixed rate based on the value of the floating rate applicable to such Notes as of the issue date.

OID, if any, on a Note will be determined for any accrual period in euro and then translated into US dollars in accordance with either of the two alternative methods described in the third paragraph under "*Payments of Stated Interest*". A US holder of such Note will recognize foreign currency exchange gain or loss when OID is paid (including, upon the disposition of such Note, the receipt of proceeds that include amounts attributable to OID previously included in income) to the extent of the difference, if any, between the US dollar value of the euro payment received, translated at the spot rate of exchange on the date such payment is received, and the US dollar value of the accrued OID, as determined in the manner described above. For these purposes, all receipts on such Note will be viewed first, as payment of stated interest payable on the Note; second, as receipt of previously accrued OID (to the extent thereof), with payments considered made for the earliest accrual periods first; and third, as receipt of principal. The rules governing OID instruments are complex and prospective purchasers should consult their tax advisors concerning the application of such rules to any series of Notes as well as the interplay between the application of the OID rules and the currency exchange gain or loss rules.

Foreign currency exchange gain or loss generally will constitute ordinary income or loss and be treated, for foreign tax credit purposes, as US source income or loss, and generally not as an adjustment to interest income or expense.

### ***Foreign Tax Credit***

Stated interest income (and OID, if any) 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 US holders under US federal income tax laws. Any non-US withholding tax paid by or on behalf of a US holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for US federal income tax purposes, subject to applicable limitations (including holding period and at risk rules). There are significant complex limitations on a US holder's ability to claim foreign tax credits. US holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes.

### ***Sale, Exchange, Retirement, Redemption or Other Taxable Disposition of Notes***

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a US holder generally will recognize gain or loss equal to the difference, if any, between the amount realized upon such disposition (less any amount equal to any accrued but unpaid stated interest, which will be taxable as interest income as discussed above to the extent not previously included in income by the US holder) and such US holder's adjusted tax basis in the Note.

A US holder's adjusted tax basis in a Note will, in general, be the cost of such Note to such US holder, increased by any OID previously accrued by such US holder with respect to the Note. The cost of a Note purchased with foreign currency will generally be the US dollar value of the foreign currency purchase price translated at the spot rate on the date of purchase. If the applicable Note is treated as traded on an established securities market and the relevant US holder is either a cash basis taxpayer or an accrual basis taxpayer who has made the special election described below, such US holder will determine the US dollar value of the cost of such Note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

If a US holder receives foreign currency on such a sale, exchange, retirement, redemption or other taxable disposition of a Note, the amount realized generally will be based on the US dollar value of such foreign currency translated at the spot rate of exchange on the date of disposition. In the case of a Note that is considered to be traded on an established securities market, a cash basis US holder and, if it so elects, an accrual basis US holder, will determine the US dollar value of such foreign currency by translating such amount at the spot rate of exchange on the settlement date of the disposition. The special election available to accrual basis US holders in regard to the purchase or disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the US holder and cannot be changed without the consent of the IRS. An accrual basis US holder that does not make the special election will recognize foreign currency exchange gain or loss to the extent

that there are exchange rate fluctuations between the disposition date and the settlement date, and such gain or loss generally will constitute US source ordinary income or loss.

Gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note that is attributable to fluctuations in currency exchange rates with respect to the principal amount of such Note generally will be US source ordinary income or loss and generally will not be treated as interest income or expense. Such gain or loss generally will equal the difference, if any, between the US dollar value of the US holder's foreign currency purchase price for the Note, translated at the spot rate of exchange on the date principal is received from the Issuer or the US holder disposes of the Note, and the US dollar value of the US holder's foreign currency purchase price for the Note, translated at the spot rate of exchange on the date the US holder purchased such Note. In addition, upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a US holder may recognize foreign currency exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest and OID, if any, which will be treated as discussed above under "*Payments of Stated Interest*" or "*Original Issue Discount*", as applicable. However, upon a sale, exchange, retirement, redemption or other taxable disposition of a Note, a US holder will recognize any foreign currency exchange gain or loss (including with respect to accrued stated interest and accrued OID, if any) only to the extent of total gain or loss realized by such US holder on such disposition.

Any gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note in excess of foreign currency exchange gain or loss attributable to such disposition generally will be US source gain or loss and generally will be capital gain or loss. Capital gains of non-corporate US holders (including individuals) derived with respect to capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

US holders should consult their tax advisors regarding how to account for payments made in a foreign currency with respect to the acquisition, sale, exchange, retirement or other taxable disposition of 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 stated interest (and the accrual of OID, if any) on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a US holder unless such US holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the US holder fails to provide a correct taxpayer identification number or a certification that it is not subject to backup withholding, or otherwise fails to comply with the applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a US holder's US federal income tax liability provided the required information is timely furnished to the IRS.

### ***Tax Return Disclosure Requirements***

Treasury Regulations require the reporting to the IRS of certain foreign currency transactions giving rise to losses in excess of a certain minimum amount, such as the receipt or accrual of interest on or a sale, exchange, retirement, redemption or other taxable disposition of a foreign currency note or foreign currency received with respect to a foreign currency note. US holders should consult their tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

US holders who are individuals and who own "specified foreign financial assets" with an aggregate value in excess of certain minimum thresholds at any time during the tax year generally are required to file an information report (IRS Form 8938) with respect to such assets with their tax returns. If a US holder does not file a required IRS Form 8938, such holder may be subject to substantial penalties and the statute of limitations on the assessment and collection of all US federal income taxes of such holder for the related tax year may not close before the date which is three years after the date on which such report is filed. The 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.

US holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership of the Notes, including the significant penalties for non-compliance.

### **Foreign Account Tax Compliance Act**

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "**FATCA**") and subject to the proposed regulations discussed below, a "foreign financial institution" may be required to withhold US tax on certain "foreign passthru payments" to the extent such payments are treated as attributable to certain US source payments. Obligations issued on or prior to the date that is six months after applicable final regulations defining foreign passthru payments are published in the Federal Register generally would be "grandfathered" unless materially modified after such date. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA could apply to payments on the Notes only if there is a significant modification of the Notes for US federal income tax purposes after the expiration of this grandfathering period. Under proposed regulations, any withholding on foreign passthru payments on the Notes that are not otherwise grandfathered would apply to passthru payments made on or after the date that is two years after the date of publication in the Federal Register of applicable final regulations defining foreign passthru payments. Taxpayers generally may rely on these proposed regulations until final regulations are issued. No such final regulations defining foreign passthru payments have been issued as of the date hereof. Non-US governments including France have entered into agreements with the United States (and additional non-US governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

### **Certain French tax considerations**

The following is a summary of certain French withholding tax considerations pertaining to the ownership of the Notes by a holder of the Notes that is (i) not a shareholder of the Issuer and (ii) not related to the Issuer within the meaning of Article 39.12 of the French Tax Code. Comments which are included therein are reported only for information purposes and do not aim at giving a complete analysis of the tax rules that may affect the investors.

This summary is based on provisions of French tax laws and regulations, as in force and applied by the French tax authorities at the date of this Offering Memorandum, all of which are subject to change, possibly with retrospective effect, or to different interpretations. Any investor contemplating to acquire the Notes should therefore consult its own tax adviser about the tax consequences that may arise for it as a result of the acquisition, the ownership, the disposal or the redemption of the Notes.

### **Withholding Taxes on Payments Made Outside France**

Holders of the Notes who concurrently hold shares of the Issuer may also be impacted by other rules not described in this section.

Payments of interest and assimilated revenues made by the Issuer with respect to the Notes, as applicable, will not be subject to the withholding tax set out under Article 125 A III of the French Tax Code unless such payments are made outside France in a non-cooperative State or territory (*État ou territoire non coopératif*) within the meaning of Article 238-0 A of the French Tax Code (a "Non-Cooperative State") other than those States or territories mentioned in 2° of 2 *bis* of the same Article 238-0 A, irrespective of the holder's fiscal domicile or registered headquarters. If such payments are made outside France in a Non-Cooperative State other than those States or territories mentioned in 2° of 2 *bis* of Article 238-0 A of the French Tax Code, a 75% withholding tax is applicable to such payments (subject to certain exceptions and to more favorable provisions of an applicable double tax treaty) by virtue of Article 125 A III of the French Tax Code. The list of Non-Cooperative States is published by a ministerial executive order (*arrêté*) and amended from time to time. The list of Non-Cooperative States other than those mentioned in 2° of 2 *bis* of Article 238-0 A of the French Tax Code was last published on March 4, 2021, and currently includes Anguilla, the British Virgin Islands, Panama, the Seychelles and Vanuatu.



Furthermore, according to the third and fourth paragraphs of Article 238 A of the French Tax Code, interest and assimilated revenues with respect to the Notes will not be deductible from the Issuer's taxable income if they are paid or accrued to persons domiciled or established in a Non-Cooperative State or paid on an account held in a financial institution established in such a Non-Cooperative State (the "Deductibility Exclusion"). Under certain conditions, any such non-deductible interest and assimilated revenues may be re-characterized as constructive dividends pursuant to Articles 109 *et seq.* of the French Tax Code, in which case they may be subject to the withholding tax set out under Article 119 *bis* 2 of the French Tax Code, at (i) the standard corporate income tax rate set forth in the first sentence of the second paragraph of Article 219-I of the French Tax Code (i.e. 26.5% for fiscal years beginning as from January 1, 2021 and 25% for fiscal years beginning as from January 1, 2022) for payments benefiting legal persons which are not French tax residents, (ii) a rate of 12.8% for payments benefiting individuals who are not French tax residents or (iii) a rate of 75% for payments made outside France in a Non-Cooperative State other than those mentioned in 2° of 2 *bis* of Article 238-0 A of the French Tax Code (in each case subject to certain exceptions and to more favorable provisions of an applicable double tax treaty).

Notwithstanding the foregoing, neither the 75% withholding tax set out under Article 125 A III of the French Tax Code nor, to the extent that the relevant interest and assimilated revenues relate to genuine transactions and are not in an abnormal or exaggerated amount, the Deductibility Exclusion and the related withholding tax set out under Article 119 *bis* 2 of the French Tax Code that may be levied as a result of such Deductibility Exclusion will apply in respect of the Notes if the Issuer can prove that the main purpose and effect of the issue of the Notes was not that of locating the interest and assimilated revenues in a Non-Cooperative State (the "Exception"). Pursuant to the administrative guidelines published by the French tax authorities regarding this legislation (BOI-INT-DG-20-50-30 dated 24/02/2021, § 150 and BOI-INT-DG-20-50-20 dated 24/02/2021, § 290 (the "BOFIP")), the Notes will benefit from the Exception without the Issuer having to provide any evidence supporting the main purpose and effect of the issue of the Notes, and accordingly will be able to automatically benefit from the Exception (the "**Safe Harbor**"), if the Notes are:

- offered by means of a public offering within the meaning of Article L.411-1 of the French Monetary and Financial Code for which the publication of a prospectus is mandatory or pursuant to an equivalent offer in a state other than a Non-Cooperative State (for this purpose, an "equivalent offering" means any offering requiring the registration or submission of an offering document by or with a foreign securities market authority); and/or
- admitted to trading on a French or foreign regulated market or multilateral financial instruments trading facility *provided* that such market or facility is not located in a Non-Cooperative State and that such market is operated by a market operator, an investment services provider, or by such other similar foreign entity, provided further that such market operator, investment services provider, or entity is not located in a Non-Cooperative State; and/or
- admitted, at the time of their issue, to the operations of a central depository or of a securities delivery and payment systems operator within the meaning of Article L.561-2 of the French Monetary and Financial Code, or of one or more similar foreign depositories or operators *provided* that such depository or operator is not located in a Non-Cooperative State.

The Notes issued by the Issuer under this Offering Memorandum qualify as debt securities under French commercial law. Considering that: (i) as of the date of their admission to trading, the Notes will be admitted to trading on Euronext Dublin in the Republic of Ireland which does not qualify as a Non-Cooperative State and that such market is operated by a market operator which is not located in a Non-Cooperative State and/or (ii) the Notes will be admitted, at the time of their issue, to the operations of a central depository or of a securities delivery and payment systems operators within the meaning of Article L. 561-2 of the French Monetary and Financial Code which is not located in a Non-Cooperative State, payments made by the Issuer in respect of the Notes to their holders will fall under the Safe Harbor and will thus not be subject to the withholding tax set out under Article 125 A III of the French Tax Code, as construed by the French tax authorities under the BOFIP. Moreover, under the same conditions, pursuant to the BOFIP and to the extent that the relevant interest and other assimilated revenues relate to genuine transactions and are not in an abnormal or exaggerated amount, interest and assimilated revenues paid by the Issuer on the Notes should not be subject to the Deductibility Exclusion and, as a result, should not be subject to the withholding tax set out under Article 119 *bis* 2 of the French Tax Code solely on account of their being paid on an account held in a financial institution

established in a Non-Cooperative State or accrued or paid to persons established or domiciled in a Non-Cooperative State.

### **Withholding Taxes on Payments Made to Individuals Fiscally Domiciled in France**

Pursuant to Article 125 A I of the French Tax Code, when the paying agent (*établissement payeur*) is established in France and subject to certain exceptions, interest and similar income received by individuals fiscally domiciled (*domiciliés fiscalement*) in France may be subject to a 12.8% withholding tax, which is deductible from their personal income tax liability in respect of the year in which the payment has been made. Social contributions (CSG, CRDS and solidarity levy) are also levied by way of withholding at an aggregate rate of 17.2% on such interest and similar income received by individuals fiscally domiciled (*domiciliés fiscalement*) in France, subject to certain exceptions.

### **Certain Other Tax Considerations; Payments by a Guarantor**

If a Guarantor makes any payments in respect of interest on the Notes it is possible that such payments may be subject to withholding tax at applicable rates subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply. Holders may be eligible to receive a gross up from the payer with respect to the amounts withheld, subject to certain exceptions, as described in "*Description of the Senior Secured Notes–Withholding Taxes*" and "*Description of the Senior Subordinated Notes–Withholding Taxes*". Holders of Notes should consult with their tax advisors regarding the tax consequences if a Guarantor makes any payments with respect to the Notes.

## **Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and the Security Interests**

Set forth below is a summary of certain limitations on the enforceability of the Guarantees and the security interests in each of the jurisdictions in which security interests in the Collateral are being, or are expected to be, provided. It is a summary only, and proceedings of bankruptcy or insolvency or of a similar nature could be initiated in any of these jurisdictions. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes and the security interests in the Collateral.

Also set forth below is a brief description of certain aspects of insolvency law in the European Union and France. In the event that the Issuer or any of their subsidiaries experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

### **European Union**

#### ***EU Insolvency Regulation***

The Issuer is organized under the laws of Member States of the European Union.

Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (recast), as amended, in particular by Regulation (EU) 2018/946 of the European Parliament and of the Council of July 4, 2018 published in the Official Gazette of the European Union on July 6, 2018, (the "**EU Insolvency Regulation**") was published in the Official Gazette of the European Union on June 5, 2015.

The EU Insolvency Regulation applies within the European Union (other than Denmark), to public collective insolvency proceedings as defined therein and listed in its Annex A. It provides that the courts of the Member State in which a debtor's "center of main interests" (as that term is used in Article 3(1) of the EU Insolvency Regulation) is situated have jurisdiction to commence main insolvency proceedings relating to such debtor. The determination of where a debtor has its center of main interests is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

Pursuant to Article 4 of the EU Insolvency Regulation, a court requested to open insolvency proceedings is required to examine whether it has jurisdiction pursuant to Article 3 and, pursuant to Article 5, such decision may be challenged by the debtor or any creditor on grounds of international jurisdiction.

Article 3(1) of the EU Insolvency Regulation provides that the center of main interests, or COMI of a "debtor shall be the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties". It sets forth, as explained by Recital (30), a rebuttable presumption that a debtor has its COMI in the Member State in which it has its registered office in the absence of proof to the contrary. This presumption shall only apply if the registered office of the legal person has not been moved to another Member State within the three-month period prior to the request for the opening of insolvency proceedings. Recital (30) provides that it should be possible to rebut this presumption if a debtor's central administration is located in a Member State other than that of its registered office and a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the debtor's actual center of management and supervision and the management of its interests is located in that other Member State. Under the previous EU insolvency regulation (Council Regulation (EC) 1346/2000 of May 29, 2000), which defined the COMI in similar terms, the courts have taken into consideration a number of factors in determining a debtor's COMI, including in particular where board meetings are held, the location where the debtor conducts the majority of its business or has its head office and the location where the majority of the debtor's creditors are established. A debtor's COMI is not a static concept and may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to commence insolvency proceedings at the time of the filing of the insolvency petition.

If a debtor's COMI is and will remain located in the Member State (other than Denmark), in which it has its registered office, the main insolvency proceedings in respect of the debtor under the EU Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation. Insolvency proceedings commenced in one Member State under the EU

Insolvency Regulation are to be recognized in the other EU Member States (other than Denmark), although secondary proceedings may be commenced in another Member State.

If a debtor's COMI is in a 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 commence "territorial proceedings" (before the opening of the main insolvency proceedings) or "secondary proceedings" (after the opening of the main insolvency proceedings) against that debtor only if such debtor has an "establishment" (within the meaning and as defined in Article 2(10) of the EU Insolvency Regulation) in the territory of such other Member State or had an establishment in such EU Member State in the three-month period prior to the request for commencement of main insolvency proceedings. An "establishment" is defined to mean "any place of operations where the debtor carries out or has carried out in the three-month period prior to the request to commence main insolvency proceedings a non-transitory economic activity with human means and assets".

Where main proceedings have been commenced in the Member State in which the debtor has its COMI, any proceedings commenced subsequently in another Member State in which the debtor has an establishment shall be secondary insolvency proceedings. The effects of such proceedings are restricted to the assets of the debtor situated in the territory of such other Member State. Where main proceedings in the Member State in which the debtor has its COMI have not yet been commenced, pursuant to Article 3 (4) of the EU Insolvency Regulation, territorial insolvency proceedings may only be commenced in another Member State where the debtor has an establishment where either (a) insolvency proceedings cannot be commenced in the Member State in which the debtor's COMI is situated under that Member State's law; or (b) the commencement of territorial insolvency proceedings is requested by (i) a creditor whose claim arises from or is in connection with the operation of an establishment situated within the territory of the Member State where the commencement of territorial proceedings is requested or (ii) a public authority that has the right to make such a request under the law of the Member State in which the establishment is located. Irrespective of whether the insolvency proceedings are main or territorial insolvency proceedings, such proceedings will, subject to certain exceptions, be governed by the *lex fori concursus*, i.e., the local insolvency law of the court that has assumed jurisdiction over the insolvency proceedings of the debtor. 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 its 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.

The opening of insolvency proceedings in a Member State pursuant to the EU Insolvency Regulation shall not affect the rights in rem of creditors or third parties in respect of tangible or intangible, moveable or immoveable assets, both specific assets and collections of indefinite assets as a whole that change from time to time, belonging to the debtor that are situated within the territory of another Member State at the time of the opening of proceedings. Rights in rem include:

- the right to dispose of assets or have them disposed of and to obtain satisfaction from the proceeds of or income from those assets, in particular by virtue of a lien or a mortgage;
- the exclusive right to have a claim met, in particular a right guaranteed by a lien in respect of the claim or by assignment of the claim by way of a guarantee;
- the right to demand assets from, and/or to require restitution by, anyone having possession or use of them contrary to the wishes of the party so entitled;
- a right in rem to the beneficial use of assets.

The courts of all Member States (other than Denmark) must recognize the judgment of the court commencing main proceedings, which will be given the same effect in the other Member States so long as no secondary proceedings have been commenced there.

Pursuant to Article 21 of the EU Insolvency Regulation, the insolvency practitioner appointed by a court in a Member State which has jurisdiction to commence main proceedings (because the debtor's COMI is located there) may exercise the powers conferred on it by the laws of that Member State in another Member State (such as to remove assets of the debtor from that other Member State, subject to Articles 8 and 10) subject to certain limitations, as long as no insolvency proceedings have been commenced in that other Member State or no preservation measures have been taken to the contrary further to a request to commence insolvency proceedings in that other Member State where the debtor has assets.

However, under Article 36 of the EU Insolvency Regulation, the insolvency practitioner in the main insolvency proceedings may attempt to avoid 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 that the distribution of those assets or of the proceeds received as a result of their realization, will comply with the distribution and priority rights under national law that creditors would have if secondary insolvency proceedings were opened in such other Member State. Such undertaking must be made in writing and is subject to approval by a qualified majority of known local creditors, determined in accordance with the local law of such other Member State. If approved, the undertaking is binding on the insolvency estate and if a court is requested to open secondary insolvency proceedings, it shall, at the request of the insolvency practitioner in the main insolvency proceedings, refuse to open such proceedings 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 the debtor and its creditors, the court, at the request of the debtor in possession or 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 that opened the secondary insolvency proceedings will also stay the process of realization of assets in whole or in part upon receipt of a request from the insolvency practitioner in the main insolvency proceedings, for a 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.

The EU Insolvency Regulation provides:

- (a) for cooperation and communication between insolvency practitioners of the main insolvency proceedings and of the secondary insolvency proceedings and, in order to facilitate the coordination of main, territorial and secondary insolvency proceedings concerning the same debtor for cooperation and communication between (i) courts and (ii) insolvency practitioners and courts;
- (b) for specific cooperation, communication and coordination measures in order to ensure the efficient administration of insolvency proceedings relating to different companies forming part of the same group;
- (c) that the Member States shall establish and maintain a register of insolvency proceedings; and
- (d) that the European Commission shall establish a decentralized system for the interconnection of such insolvency registers.

### ***EU Directive on preventive restructuring frameworks***

The EU directive 2019/1023 of the European Parliament and the Council of June 20, 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 "**EU Restructuring Directive**") was published on June 26, 2019.

The objectives of the EU Restructuring Directive are to ensure that (i) viable enterprises and entrepreneurs that are in financial difficulties have access to effective national preventive restructuring frameworks that enable them to continue operating, (ii) honest insolvent or over-indebted entrepreneurs (i.e., individuals) can benefit from a full discharge of debt after a reasonable period of time, thereby affording them a second chance and (iii) the effectiveness of procedures concerning restructuring, insolvency and discharge of debt is improved, in particular with a view to shortening their length.

The Restructuring Directive aims to achieve a higher degree of harmonization in the field of restructuring, insolvency, discharge of debt and disqualifications by establishing substantive minimum standards for preventive restructuring procedures as well as for procedures leading to a discharge of debt for entrepreneurs in order to promote a culture that encourages early preventive restructuring to

address financial difficulties at an early stage, when it appears likely that insolvency can be prevented and the viability of the business can be ensured. Most notably, the Restructuring Directive provides for a framework pursuant to which (a) a stay of individual enforcement actions by creditors against debtors must be introduced by Member States' national legislation, (b) all creditor claims shall be grouped into separate classes each of which shall reflect a commonality of interests (at a minimum, creditors of secured and unsecured claims shall be treated in separate classes), (c) creditor claims may be restructured in a restructuring plan by majority vote with a majority of not more than 75% of the amount of the claims in each class and, where the Member State so requires, a majority in number of affected parties in each class and (d) a cross-class cram-down is introduced whereby a restructuring plan may, under certain conditions, be adopted and bind dissenting creditors even if the creditors of one or more classes do not consent to the restructuring plan with the required majority. In order to be adopted the plan will have to be confirmed by a judicial or administrative authority that will in particular ensure the protection of each type of creditors' rights and compliance with the priority rules governing the adoption of the plan. The transposition of the Restructuring Directive into national legislation shall protect new financing and interim financing and may also provide priority ranking to new or interim financing granted in the context of the restructuring.

The EU Restructuring Directive shall be transposed into national laws or regulations by Member States by July 17, 2021 (with the exception of the provisions relating to the use of electronic means of communication for which the time period for the transposition expires in certain respects on July 17, 2024 or, in others, on July 17, 2026), subject to a maximum 1 year extension of the transposition period for Member States encountering particular difficulties in implementing the EU Restructuring Directive.

Although which proceedings will be affected by the transposition of the EU Restructuring Directive into French law has not yet been determined, it seems likely that safeguard, accelerated safeguard, accelerated financial safeguard and judicial reorganization proceedings will be substantially amended to take into consideration the provisions of the Directive.

The major differences between the Directive and current French insolvency law lie in:

- the introduction of classes of creditors into French law based on a commonality of interests as opposed to the current classification of creditors in accordance with the nature of their contractual relationship with the debtor and irrespective of their actual chances of repayment, *i.e.*, as credit institutions, main suppliers or bondholders; and
- the possibility to set up shareholders as one specific class when their rights may be impaired, allowing other classes of creditors to impose a plan on shareholders, which can only occur in very restrictive circumstances under current French law.

## France

### Insolvency

We conduct part of our business activity in France and, to the extent that the registered office of the Issuer is deemed to be located in France, it could be subject to confidential French court-assisted proceedings affecting creditors, *i.e.*, *mandat ad hoc* or conciliation proceedings (which do not fall within the scope of the EU Insolvency Regulation). In addition, to the extent that their COMI or, in cases where the EU Insolvency Regulation does not apply, their main center of interests within the meaning of article R. 600-1 of the French Commercial Code, is deemed to be in France or they have an establishment in France, they could also be subject to French court-administered proceedings affecting creditors, *i.e.*, either safeguard proceedings, accelerated safeguard proceedings or accelerated financial safeguard proceedings (*sauvegarde*, *sauvegarde accélérée* or *sauvegarde financière accélérée*), judicial reorganization proceedings (*redressement judiciaire*) or judicial liquidation proceedings (*liquidation judiciaire*).

Specialized courts exist for (i) conciliation or insolvency proceedings with respect to debtors that meet or exceed (on a stand-alone basis or together with the companies under their control) (x) €20 million in turnover and 250 employees or (y) €40 million in turnover, (ii) commencement of proceedings with respect to which the court's international jurisdiction results from the application of the EU Insolvency Regulation or (iii) in cases where the EU Insolvency Regulation does not apply, from the debtor having its main center of interests within the jurisdiction of such specialized courts.

In addition, the French court that commences insolvency proceedings with respect to the member of a corporate group has jurisdiction over all the other members of the group (subject to French courts having international jurisdiction with respect to such entities, in accordance with the rules outlined above, and

to specific control thresholds); accordingly, a court can supervise the insolvency proceedings of the whole group and may, for this purpose, appoint the same administrator and creditors' representative (*mandataire judiciaire*) for all proceedings in respect of members of the group.

In general, French insolvency legislation favors the continuation of a business and protection of employment over the payment of creditors and could limit your ability to enforce your rights under the Notes and corresponding security interests in the Collateral.

Annex A of the EU Insolvency Regulation lists safeguard, accelerated safeguard, accelerated financial safeguard, judicial reorganization and judicial liquidation proceedings as insolvency proceedings within the meaning of the EU Insolvency Regulation. Any company of our group having its COMI in France would be subject to French main insolvency proceedings within the meaning of the EU Insolvency Regulation and any company of our group having an establishment in France and its COMI in another EU Member State (other than Denmark) could be subject to French secondary insolvency proceedings within the meaning of the EU Insolvency Regulation.

The following is a general discussion of preventive and insolvency proceedings governed by French law for informational purposes only and does not address all the French legal considerations that may be relevant to holders of the Notes. Such proceedings will likely be amended in the context of the transposition of the Restructuring Directive into French law with respect to which French statute n° 2019-486 dated May 22, 2019 ("*Loi Pacte*") grants the French government twenty-four months to enact appropriate measures through ordinances for the transposition of the EU Restructuring Directive.

### ***Temporary measures in the context of the COVID-19 pandemic***

Due to the COVID-19 pandemic, certain temporary measures have recently been enacted by the French Government to adapt French insolvency law to the health crisis (Ordinance No. 2020-1443 dated November 25, 2020, in force as from November 26, 2020 and Law n°2020-1525 dated December 7, 2020, in force as from December 8, 2020).

In particular, until December 31, 2021, pursuant to article 1 of Ordinance n°2020-1443 dated November 25, 2020, in force as from November 26, 2020, at the request of the conciliator, the duration of conciliation proceedings may be extended one or more times, by a reasoned decision of the president of the court, up to a maximum of ten months (see "*—Conciliation Proceedings*" below).

In addition, article 124 of Law n°2020-1525 dated December 7, 2020, in force as from December 8, 2020, extends until December 31, 2021 the following measures that were initially adopted by Ordinance n°2020-596 dated May 20, 2020, in force as from May 21, 2020 that were due to expire on December 31, 2020:

- additional specific measures aimed at protecting debtors and an adaptation of the provisions governing grace periods in the context of conciliation proceedings (see "*—Conciliation Proceedings*" and "*—Grace Periods*" below);
- the loosening of the conditions for eligibility to Accelerated Safeguard Proceedings and Accelerated Financial Safeguard Proceedings (see "*—Accelerated Safeguard Proceedings*" below);
- the supervising judge's right, at the request of the court-appointed administrator or the creditors' representative, to reduce from 30 to 15 days of receipt of the debt settlement proposal the deadline during which creditors can respond to a debt settlement proposal in the context of a standard consultation for the approval of a safeguard or reorganization plan (see "*—Adoption of the Safeguard or Reorganization Plan*" below);
- the possible up to two year extension of the duration of the safeguard or reorganization plan, as a result of which such a plan can now last up to 12 years (see "*—Adoption of the Safeguard or Reorganization Plan*" below); and
- the grant of a special privilege for creditors that make new cash contributions to the debtor during the observation period in order to ensure the continuation of the company's business and its survival and for those who undertake to make such contribution for the execution of the safeguard or reorganization plan ordered or modified by the court (the "*S/R Lien*").

Due to the COVID-19 pandemic, these rules may be further adapted and additional measures may be put in place within the following weeks or months, which may have an impact on French insolvency law.

### **Grace periods**

In addition to insolvency laws discussed below, you could, like any other creditors, be subject to Article 1343-5 of the French Civil Code (*Code civil*).

Pursuant to the provisions of this article, French courts may, in any civil or commercial proceedings involving the debtor, whether initiated by the debtor or the creditor, taking into account the debtor's financial position and the creditor's needs, defer or otherwise reschedule over a maximum period of two years the payment dates of payment obligations and decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate that is lower than the contractual rate (but not lower than the legal rate, as published semi-annually by the French government) or that payments made shall first be allocated to repayment of principal. A court order made under Article 1343-5 of the French Civil Code will suspend any pending enforcement measures, and any contractual default interest or penalty for late payment will not accrue or be due during the grace periods ordered by the relevant judge.

If the debtor is engaged in conciliation proceedings or has reached a conciliation agreement that is in the course of being executed, special rules apply to the grant of grace periods (see "*Court-assisted Proceedings*" below).

### **Insolvency test**

Under French law, a debtor is considered to be insolvent (*en état de cessation des paiements*) when it is unable to pay its due debts (*passif exigible*) with its immediately available assets (*actif disponible*) taking into account available credit lines, existing debt rescheduling agreements and moratoria. The date of insolvency (*date état de cessation des paiements*) is generally deemed to be the date of the court ruling commencing the judicial reorganization or judicial liquidation proceedings, unless the court sets an earlier date, which may be carried back up to 18 months before the date of such court ruling. Except for fraud, the date of insolvency may not be fixed at an earlier date than the date of the final court decision that approved an agreement (*homologation*) in the context of conciliation proceedings. The date of insolvency marks the beginning of the hardening period (see below).

### **Court-assisted Proceedings**

A French debtor facing difficulties may in certain conditions request the commencement of court-assisted proceedings (*mandat ad hoc* or *conciliation*), the aim of which is to reach an agreement with the debtor's main creditors and stakeholders e.g. an agreement to reduce or reschedule its indebtedness.

*Mandat ad hoc* proceedings may only be initiated by the debtor itself, in its sole discretion. In practice, *mandat ad hoc* proceedings are used by debtors that are facing any type of difficulties but are not insolvent (see "*Insolvency test*" above). The proceedings are informal and confidential by law (save for the disclosure of the court's decision appointing the *mandataire ad hoc* to the statutory auditors, if any). They are carried out under the aegis of a court-appointed officer (*mandataire ad hoc*), whose name may be suggested by the debtor itself, under the supervision of the president of the court. The proceedings are not limited in time. The duties of the *mandataire ad hoc* are determined by the president of the court (usually the commercial court) who appoints him or her, usually to facilitate negotiations with creditors. Any agreement between the debtor and its creditors will be negotiated on a purely consensual and voluntary basis: those creditors not willing to take part cannot be bound by the agreement nor forced to accept it. *Mandat ad hoc* proceedings do not automatically stay any pending proceedings and creditors are not barred from taking legal action against the debtor to recover their claims but those that have accepted to take part in the proceedings usually accept not to do so for their duration. In any event, the debtor retains the right to petition the relevant judge for a grace period under Article 1343-5 of the French Civil Code (see "*Grace periods*" above). The agreement reached is reported to the president of the court but is not formally approved by it.

*Conciliation* proceedings may only be initiated by the debtor itself if it faces actual or foreseeable difficulties of a legal, economic or financial nature and is not insolvent (see "*Insolvency test*" above) or has not been insolvent for more than 45 days. The proceedings are confidential by law (save for the disclosure of the court decision commencing the proceedings to the statutory auditors, if any). They are carried out under the aegis of a court-appointed conciliator (*conciliateur*), whose name may be suggested by the debtor itself, under the supervision of the president of the court. The proceedings may last up to five months (after an initial period of a maximum of four months, upon request of the conciliator, the court may extend the conciliation period up to the absolute maximum of five months).



Pursuant to article 1 of Ordinance n°2020-1443 dated November 25, 2020 adopted in the context of the COVID-19 pandemic, in force as from November 26, 2020 and until December 31, 2021, at the request of the conciliator, the duration of the conciliation proceedings may be extended, one or more times, by a reasoned decision of the president of the court up to a maximum of ten months.

The duties of the conciliator are to assist the debtor in negotiating an agreement with all or part of its creditors and/or trade partners that puts an end to its difficulties, *e.g.* providing for the restructuring of its indebtedness. Any agreement between the debtor and its creditors will be negotiated on a purely consensual and voluntary basis: those creditors not willing to take part cannot be bound by the agreement nor forced to accept it. *Conciliation* proceedings do not automatically stay any pending proceedings and creditors are not barred from taking legal action against the debtor to recover their claims but those that have accepted to take part in the proceedings usually accept not to do so, and creditors may not request the opening of insolvency proceedings (*redressement judiciaire* or *liquidation judiciaire*) against the debtor for the duration of the conciliation proceedings. Pursuant to article L. 611-7 of the French Commercial Code, during the proceedings, the debtor retains the right to petition the judge that commenced them for a grace period (debt rescheduling for a maximum of two years) in accordance with Article 1343-5 of the French Civil Code (see "*—Grace periods*" above) provided that a creditor has formally put the debtor on notice to pay, or is suing for payment; the judge will take its decision after having heard the conciliator and may condition the duration of the measures it orders to reaching an agreement in the conciliation proceedings.

Due to the COVID-19 epidemic and state of health emergency that was imposed by the French government, Ordinance n° 2020-341 of March 27, 2020, Ordinance n° 2020-596 of May 20, 2020 and Ordinance n° 2020-1443 of November 25, 2020 and Law n° 2020-1525 dated December 7, 2020 have modified conciliation proceedings to provide that, until December 31, 2021:

- (a) the duration of conciliation proceedings can be extended upon request of the conciliator, thereby increasing the maximum duration of conciliation proceedings to 10 months (instead of 5 months previously);
- (b) if a creditor does not accept, by the deadline set by the conciliator, a request made by the conciliator to defer payment of his claim for the duration of the conciliation proceedings, the debtor may request from the President of the Commercial Court in ex-parte proceedings, for the duration of the conciliation proceedings:
  - the stay or prohibition of any legal action for payment or for termination of a contract for a payment default;
  - the stay or prohibition of any judicial enforcement measure against the debtor's movable or immovable property as well as any judicial procedure relating to the distribution of the debtor's assets that would not have already transferred ownership away from the debtor; or
  - the deferral or rescheduling of the creditor's claim;
- (c) the debtor may petition the judge that commenced conciliation proceedings for a grace period in accordance with Article 1343-5 of the French Civil Code (see "*—France—Grace periods*" above) even before the creditor sends any notice to pay or initiates any suit for payment if a creditor does not accept, by the deadline set by the conciliator, a request made by the conciliator to suspend payment of his claim for the duration of the conciliation.

Additionally, pursuant to Article L. 611-10-1 of the French Commercial Code, the judge having commenced conciliation proceedings may, during the execution period of a conciliation agreement (whether it is acknowledged or approved as described below) and taking into consideration the conditions of its performance, impose grace periods on creditors who were asked to participate in the conciliation proceedings (other than the tax and social security administrations) and have formally put the debtor on notice to pay or are suing for payment of claims that were not dealt with in the conciliation agreement, such decision being taken after hearing the conciliator if he/she has been appointed to monitor the implementation of the agreement.

The conciliation agreement reached between the parties may be acknowledged (*constaté*) by the president of the Commercial Court at the request of the parties, which makes the agreement binding upon them (in particular, performance of the conciliation agreement prevents any action by the creditors party thereto against the debtor to obtain payment of claims governed by the conciliation agreement)

and enforceable without further recourse to a judge (*force exécutoire*), but the conciliation proceedings remain confidential.

Alternatively, the conciliation agreement may be approved (*homologué*) by the Commercial Court at the request of the debtor following a hearing held for that purpose to which the works council or employee representatives, as the case may be, must be convened if (i) the debtor is not insolvent or the conciliation agreement has the effect of putting an end to the debtor's insolvency, (ii) the conciliation agreement effectively ensures that the company will survive as a going concern and (iii) the conciliation agreement does not impair the rights of the non-signatory creditors. Such approval will have the same effect as its acknowledgement (*constatation*) as described above and, in addition:

- the decision of approval by the relevant Civil or Commercial Court, which should only disclose the amount of any New Money Lien (see below) and the guarantees and security interests granted to secure the same, will be public but the agreement itself should otherwise remain confidential except vis-à-vis the works council or employee representatives that are informed of the content of the conciliation agreement and may have access to the full conciliation agreement at the clerk's office (*greffe*) of the Court;
- creditors that, in the context of the conciliation proceedings, provide new money, goods or services designed to ensure the continuation of the business of the debtor (other than shareholders providing new equity in the context of a capital increase) will enjoy a priority of payment over all pre-commencement and post-commencement claims (except with respect to certain pre-commencement or post-commencement employment claims and procedural costs) (the "**New Money Lien**"), in the event of subsequent safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings;
- in the event of subsequent safeguard accelerated safeguard, accelerated financial safeguard, judicial reorganization or judicial liquidation proceedings, the claims benefiting from the New Money Lien may not, without their holders' consent, be written off and their payment date may not be rescheduled to a date later than the date on which the safeguard or reorganization plan is adopted, not even by the creditors' committees (the powers of the bondholders general meeting in this respect are the subject of debate);
- when the debtor is submitted to statutory auditing, the conciliation agreement is communicated to its statutory auditors; and
- in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the date of insolvency (see "*—Insolvency test*" above), and therefore the starting date of the hardening period (as defined below see "*—The hardening period (période suspecte) in judicial reorganization and liquidation proceedings*"), cannot be set by the court as of a date earlier than the date of the approval (*homologation*) of the agreement by the court (except in case of fraud).

Whether the conciliation agreement is acknowledged or approved, the court may, at the request of the debtor, appoint the conciliator to monitor the implementation of the agreement (*mandataire à l'exécution de l'accord*) during its execution and, while the agreement is in force:

- interest accruing on the claims that are the subject to the conciliation agreement may not be compounded;
- the debtor retains the right to petition the judge that commenced the conciliation proceedings for a grace period in accordance with Article L. 611-10-1 of the French Commercial Code as explained above; and
- a joint-debtor and a third party that had previously granted credit support (a guarantee (*sûreté personnelle*) or security interest (*sûreté réelle*)) with respect to the debtor's obligations may benefit from the provisions of the conciliation agreement as well as from grace periods granted to the debtor in the context of conciliation proceedings.

If the debtor breaches the terms of the conciliation agreement, any party to it may petition the president of the court or the court (depending on whether the agreement was acknowledged or approved) for its termination. If such termination is granted, grace periods granted in relation to the conciliation proceedings may be revoked. Conversely, provided the conciliation agreement is duly performed, any individual proceedings by creditors with respect to obtaining payment of the claims dealt with by the conciliation agreement are suspended and/or prohibited. The commencement of subsequent safeguard

or insolvency proceedings will automatically put an end to the conciliation agreement, in which case the creditors will recover their claims (decreased by the payments already received) and pre-existing security interests or guarantees.

Conciliation proceedings, in the context of which a draft plan has been negotiated and is supported by a large majority of creditors which is likely to meet the threshold requirements for creditors' consent in safeguard, is a mandatory preliminary step of accelerated safeguard proceedings or accelerated financial safeguard proceedings, as described below.

At the request of the debtor and after the creditors taking part in the proceedings have been consulted on the matter, *mandat ad hoc* and conciliation proceedings may also be used to organize the partial or total sale of the debtor, in particular through a "plan for the disposal of the business" (*plan de cession*) which could be implemented in the context of subsequent safeguard, judicial reorganization or liquidation proceedings. Provided that they comply with certain requirements, any offers received in this context by the *mandataire ad hoc* or the conciliator may be directly considered by the court in the context of safeguard, judicial reorganization or judicial liquidation proceedings after consultation of the public prosecutor.

As a matter of law, any contractual provision that (i) modifies the conditions for the continuation of an ongoing contract by reducing the debtors' rights or increasing its obligations simply by reason of the designation of a *mandataire ad hoc* or of the commencement of conciliation proceedings or of a request submitted to this end or (ii) requires the debtor to bear, by reason only of the appointment of a *mandataire ad hoc* or of the commencement of conciliation proceedings, more than three-quarters of the fees of the professional advisers retained by creditors in connection with these proceedings, is deemed null and void.

Where the maximum time period allotted to court-assisted proceedings expires without an agreement being reached, the proceedings will end. The termination of such proceedings does not, in and of itself entail any specific legal consequences for the debtor, in particular it does not result in the automatic commencement of insolvency proceedings. New conciliation proceedings cannot be commenced before three months have elapsed as from the end of the previous ones.

### **Court-administered Proceedings—Safeguard**

A debtor which experiences difficulties that it is not able to overcome may, in its sole discretion, initiate safeguard proceedings (*procédure de sauvegarde*) with respect to itself, *provided that* it is not insolvent (see "*Insolvency test*" above). Creditors of the debtor are not notified of, nor invited to attend the hearing before the court at which the commencement of safeguard proceedings is requested. Following the commencement of safeguard proceedings, a court-appointed administrator (*administrateur judiciaire*) is appointed (except for small companies where the court considers that such appointment is not necessary) to investigate the business of the debtor during an "observation period" (being the period starting on the date of the court decision commencing the proceedings and ending on the date on which the court takes a decision on the outcome of the proceedings), which may last up to 18 months. The role of the court-appointed administrator is also to assist the debtor in preparing a draft safeguard plan (*projet de plan de sauvegarde*) that it will circularize to its creditors. Creditors do not have effective control over the proceedings, which remain in the hands of the debtor assisted by the court-appointed administrator. The court-appointed administrator will, in accordance with the terms of the judgment appointing him or her, exercise *ex post facto* control over decisions made by the debtor (*mission de surveillance*) or assist the debtor to make all or some of the management decisions (*mission d'assistance*), all under the supervision of the court.

If, after commencement of the proceedings, it appears that the debtor was insolvent (*en état de cessation des paiements*) before their commencement, at the request of the debtor, the administrator, the creditors' representative or the public prosecutor but, in any event, after having heard the debtor, the court may convert the safeguard proceedings into judicial reorganization proceedings.

In addition, the court may convert safeguard proceedings into (i) judicial reorganization proceedings (a) at any time during the observation period if the debtor is insolvent or (b) if the approval of a safeguard plan is manifestly impossible and if the company would shortly become insolvent should safeguard proceedings end or (ii) judicial liquidation proceedings at any time during the observation period if the debtor is insolvent and its recovery is manifestly impossible. In all such cases:

- the court may decide at the request of the debtor, the court-appointed administrator, the creditors' representative or the public prosecutor or on its own initiative except in the case of (i) (b) above where:
  - the court may not act upon its own initiative, and
  - the court-appointed administrator, the creditors' representative or the public prosecutor may only act in the event that no plan has been adopted by the relevant creditors committee and, if any, the bondholders general meeting (as described below);
- the court's decision is only taken after having heard the debtor, the court-appointed administrator, the creditors' representative, the controllers, the public prosecutor and the workers' representatives (if any).

As soon as safeguard proceedings are commenced, any unpaid amount of share capital of the debtor becomes immediately due and payable.

Due to the COVID-19 epidemic and state of health emergency that was imposed by the French government, Ordinance n° 2020-596 dated May 20, 2020 and Law n° 2020-1525 dated December 7, 2020, modified safeguard proceedings to provide that:

- as an incentive for new financings granted to debtors in the context of safeguard or reorganization proceedings a new safeguard or reorganization privilege is created (the "**S/R Lien**"), applicable exclusively to proceedings commenced between May 22, 2020 and December 31, 2021. The S/R Privilege is distinct from the existing statutory preference enjoyed by financing granted, with the approval of the insolvency judge (*juge-commissaire*), after commencement of the proceedings, for the needs of the proceedings or of the observation period.
- The S/R Lien applies to all new cash contributions made, with the exception of those made through a share capital increase, by any person:
  - during the observation period, in order to ensure the continuity of debtor's business and its sustainability, in which case such cash contributions must be authorized by the insolvency judge, or
  - for the implementation of the safeguard or reorganization plan, *i.e.*, within the plan as approved or modified by the court, and for the purposes of its execution, it being specified that the judgment must mention all claims benefiting from the privilege, as well as the relevant amounts.
- Claims benefiting from the S/R Lien enjoy a priority of payment over pre-commencement and post-commencement claims except with respect to employees' super-privilege claims, procedural costs and the New Money Lien in the event of on-going or subsequent safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings.
- Such claims may not be termed-out or written-off without the consent of the relevant creditors.

During the safeguard proceedings, payment by the debtor of any debts incurred (i) prior to the commencement of the proceedings or (ii) after the commencement of the proceedings if not incurred for the purposes of the proceedings or the observation period or in consideration of services rendered/goods delivered to the debtor, is prohibited, subject to very limited exceptions. For example, the court can authorize payments for prior debts in order to discharge a lien on property needed for the continued operation of the debtor's business or to recover goods or rights transferred as collateral in a fiduciary estate (*patrimoine fiduciaire*).

Creditors must be consulted on the manner in which the debtor's liabilities will be settled under the safeguard plan (debt write-offs, payment terms or debt-for-equity-swaps) prior to the plan being approved by the court. The rules governing consultation will vary depending on the size of the business.

**Standard consultation:** this applies in respect of debtors whose accounts are not certified by a statutory auditor or prepared by a chartered accountant or, if they are, who have 150 employees or less or a turnover of €20 million or less unless, upon their or the administrator's request and with the consent of the court, they are subject to the committee-based consultation (see below).

In such case, the administrator notifies the proposals for the settlement of debts to the court-appointed creditors' representative, who seeks the agreement of each creditor who filed a claim, regarding the debt write-offs and payment schedules proposed. Creditors are consulted individually or collectively.

French law does not state whether the debt settlement proposals can vary according to the creditor and whether the principle of equal treatment of creditors is applicable at this consultation stage. According to legal commentaries and established practice, differing treatment as between creditors is possible, *provided that* it is justified by the difference in situation of the creditors and approved by the court-appointed creditors' representative. In practice, it is also possible at the consultation stage to make a proposal for a partial payment of claims over a shorter time period instead of a full payment of such claims over the length of the plan (ten years maximum except for agricultural businesses where the maximum is fifteen years).

Pursuant to article 5 of Ordinance No. 2020-596 dated May 20, 2020 adopted in the context of the COVID-19 pandemic, in force from May 21, 2021 and Law n° 2020-1525 dated December 7, 2020 until December 31, 2021, the maximum length of a plan can be extended to 12 years, or 17 years for agricultural businesses.

Creditors whose payment terms are not affected by the plan or who are paid in cash in full as soon as the plan is approved are not required to be consulted.

Creditors that do not respond within 30 days of their receipt of the debt settlement proposal (other than debt-for-equity-swap) made to them are deemed to have accepted it. The creditors' representative keeps a list of the responses from creditors, which is notified to the debtor, the court-appointed administrator and the controllers.

Pursuant to Article 4 of Ordinance No. 2020-596 dated May 20, 2020 adopted in the context of the COVID-19 pandemic, in force from May 21, 2021 and Law n° 2020-1525 dated December 7, 2020, until December 31, 2021, the abovementioned 30-day delay may be reduced to 15 days, at the request of the court-appointed administrator or the court-appointed creditors' representative.

Within the framework of a standard consultation, the court that approves the safeguard plan (*plan de sauvegarde*) can impose a uniform rescheduling of the claims of creditors having refused the proposals that were submitted to them (subject to specific regimes such as the one applicable to claims benefiting from the New Money Lien or the S/R Lien) over a maximum period of ten years (except for agricultural businesses where the maximum is fifteen years and for claims with maturity dates of more than the deferral period set by the court, in which case the maturity date shall remain the same), but no write-off of any claim or debt-for-equity swap may be imposed without the relevant creditor's individual acceptance.

Following a court imposed rescheduling, the first payment must be made within a year of the judgment adopting the plan (in the third and subsequent years, the amount of each annual instalment must be of at least 5% of the amount of each debt claim (except for agricultural businesses)) or on the first payment date following the initial maturity of the claim if it is later than the first payment date provided for by the plan, in which case the amount of such first payment is equal to what the creditor would have received had he been paid in accordance with the uniform payment rescheduling applying to the other creditors.

**Committee-based consultation:** This applies to large companies whose accounts are certified by a statutory auditor (*commissaire aux comptes*) or established by a chartered-accountant (*expert-comptable*) and with more than 150 employees or a turnover greater than €20 million or upon the debtor's or the administrator's request and with the consent of the court in the case of debtors that do not meet the aforementioned thresholds.

The consultation involves the submission of a proposed safeguard plan for consideration by two creditors' committees which are established by the court-appointed administrator on the basis of the claims that arose prior to the judgment commencing the proceedings:

- one for credit institutions or assimilated institutions and entities having granted credit or advances in favor of the debtor (or their successors) (the "**credit institutions' committee**"); and
- the other one for suppliers having a claim that represents more than 3% of the total amount of the claims of all the debtor's suppliers and other suppliers invited to participate in such committee by the court-appointed administrator (the "**major suppliers' committee**").

If there are any outstanding debt securities in the form of *obligations* (such as bonds or notes and including capital market debt instruments such as the Notes), a single general meeting of all holders of such debt securities will be established (the "**bondholders' general meeting**"), in which all such holders are to take part irrespective of whether or not there are different issuances or of the governing law(s) of those *obligations*.

As a general matter, only the legal owner of the debt claim will be invited onto the committee or general meeting. Accordingly, a person holding only an economic interest therein will not itself be a member of the committee or general meeting.

The proposed plan:

- must "take into account" subordination agreements entered into by the creditors before the commencement of the proceedings;
- may treat creditors differently if it is justified by their differences in situation; and
- may, *inter alia*, include a rescheduling or cancellation of debts (subject to the specific regime of claims benefiting from the New Money Lien or the S/R Lien), and/or debt-for-equity swaps (debt-for-equity swaps requiring the relevant shareholder consent).

If the plan provides for a share capital increase, the shareholders may subscribe to such share capital increase by way of a set-off against their claims against the debtor (as reduced according to the provisions of the plan, where applicable).

Creditors that are members of the credit institutions' committee or of the major suppliers committee may also prepare alternative safeguard plans in accordance with the above principles that will also be put to the vote of the committees and of the general bondholders' meeting, it being specified that approval of any such alternative plan is subject to the same two-thirds majority vote in each committee and in the bondholders' general meeting and gives rise to a report by the court-appointed administrator (*administrateur judiciaire*). Bondholders are not permitted to present their own alternative plan.

The committees must approve or reject the safeguard plan within 20 to 30 days of its submission. The period may be extended or shortened but may never be shorter than 15 days. The plan must be approved by a majority vote of each committee (two-thirds of the outstanding claims of the creditors casting a vote).

Each member of a creditors committee or of the bondholders' general meeting must, if applicable, inform the court-appointed administrator of the existence of any agreement relating to (i) the exercise of its vote or (ii) the full or total payment of its claim by a third party as well as of any subordination agreement. The court-appointed administrator shall then submit to such person a proposal for the computation of its voting rights in the creditors committee/bondholders' general meeting. In the event of disagreement, the matter may be ruled upon by the president of the Commercial Court in summary proceedings at the request of the creditor or of the court-appointed administrator.

The amounts of claims secured by a trust (*fiducie*) granted by the debtor do not give rise to voting rights. In addition, creditors whose repayment schedule is not modified by the plan, or for which the plan provides for a payment of their claims in cash in full as soon as the plan is adopted or as soon as their claims are admitted, do not need to be consulted on the plan nor take part in the vote.

Following the approval of the plan by the two creditors' committees, the plan will be submitted for approval to the bondholders' general meeting at the same two-thirds majority vote. Following approval by the creditors' committees and the bondholders' general meeting, and determination of the rescheduling of the claims of creditors that are not members of the committees or bondholders in accordance with the standard consultation process referred to above, the plan has to be approved (*arrêté*) by the court. The court must verify that the interests of all creditors are "sufficiently protected" and that required shareholder consent (if applicable) has been obtained. Once so approved by the relevant court, the safeguard plan will be binding on all the members of the committees and all bondholders (including those who did not vote or voted against the adoption of the plan).

Creditors that are not members of the committees are consulted collectively or individually in accordance with the standard consultation process (see above).

If the debtor's proposed plan is not approved by both committees and the bondholders' general meeting within the first six months of the observation period (either because they do not vote on the plan or because they reject it), this six-month period may be extended by the court at the request of the court-

appointed administrator for a period not exceeding the duration of the observation period, in order for the plan to be approved through the committee-based consultation process. Absent such extension, the court can still adopt a safeguard plan within the time remaining until the end of the observation period. In such a case, the rules are the same as the ones applicable for the standard consultation process described above.

If the draft plan provides for a modification of the share capital or the bylaws, the court may decide that the shareholders' general meeting and, as the case may be, the general meetings of the holders of securities giving access to the share capital of the company shall vote, the first time the relevant meeting is convened, at a simple majority of the votes of the shareholders attending, or represented at, the meeting, *provided that* they hold at least half of the shares with voting rights. The second time the meeting is convened, the usual provisions relating to quorum and majority shall apply.

If the court adopts a safeguard plan, it can set a time-period during which the assets that it deems to be essential to the continuation of the business of the debtor may not be sold without its consent.

If no proposed safeguard plan whatsoever is adopted by the committees and, if applicable, the bondholders' general meeting, at the request of the debtor, the court-appointed administrator, the *mandataire judiciaire* or the State prosecutor, the court may convert the safeguard proceedings into judicial reorganization proceedings if it appears that the adoption of a safeguard plan is impossible and if the end of the safeguard proceedings would certainly lead to the debtor shortly becoming insolvent.

***Specific case- Creditors that are public institutions:*** public creditors (financial administrations, social security and unemployment insurance organizations) may agree to grant debt write-offs under conditions that are similar to those that would be granted under normal market conditions by a private economic operator placed in a similar position. Public creditors may also decide to enter into subordination agreements for liens or mortgages, or relinquish these security interests. Public creditors examine possible write-offs within the framework of a local administrative committee (*Commission des Chefs de Services Financiers*). The tax administrations may grant relief from all direct taxes. As regards indirect taxes, relief may only be granted from default interest, adjustments, penalties or fines.

### ***Court-administered Proceedings—Accelerated Safeguard and Accelerated Financial Safeguard***

A debtor that is engaged in conciliation proceedings may request the commencement of accelerated safeguard proceedings (*procédure de sauvegarde accélérée*) or accelerated financial safeguard proceedings (*procédure de sauvegarde financière accélérée*).

The accelerated safeguard proceedings and accelerated financial safeguard proceedings have been designed to "fast-track" difficulties faced by large companies, *i.e.* those:

- that publish consolidated accounts in accordance with Article L. 233-16 of the French Commercial Code; or
- whose accounts are certified by a statutory auditor or established by a certified public accountant and who have (i) more than 20 employees or (ii) a turnover greater than €3 million (excluding VAT) or (iii) whose total balance sheet exceeds €1.5 million.

However, Ordinance n° 2020-596 dated May 20, 2020 and Law n° 2020-1525 dated December 7, 2020 provide that these thresholds will no longer be required for proceedings commenced between May 22, 2020 and December 31, 2021.

If the debtor does not meet the conditions that require creditors' committees (see above) to be constituted, the court shall authorize such constitution in the opening decision.

To be eligible to accelerated safeguard proceedings or accelerated financial safeguard proceedings, the debtor must fulfil the following conditions:

- the debtor must not have been insolvent for more than 45 days when it initially applies for commencement of conciliation proceedings;
- the debtor must be subject to ongoing conciliation proceedings when it applies for the commencement of the proceedings;
- as is the case for regular safeguard proceedings, the debtor must face difficulties which it is not in a position to overcome; and

- the debtor must have prepared a draft safeguard plan ensuring the continuation of its business as a going concern which is supported by enough of its creditors involved in the proceedings to render likely its adoption by the relevant committees (credit institutions' committee only for financial accelerated safeguard proceedings) and bondholders' general meeting, if any, within a maximum of three months following the commencement of accelerated safeguard proceedings, or within a maximum of two months following the commencement of accelerated financial safeguard proceedings.

While accelerated safeguard proceedings apply to all creditors (except employees), accelerated financial safeguard proceedings apply only to "financial creditors" (*i.e.*, creditors that belong to the credit institutions committee and bondholders' general meeting), the payment of whose debt is suspended until adoption of a plan through accelerated financial safeguard proceedings. The debtor will be prohibited from paying, to any creditor to whom the accelerated safeguard or accelerated financial safeguard proceedings (as the case may be) apply, any amounts (including interest) in respect of debts incurred (i) prior to the commencement of the proceedings or (ii) after the commencement of the proceedings if not incurred for the purposes of the proceedings or the observation period or in consideration of services rendered/goods delivered to the debtor (post-commencement non-privileged debts). Such amounts may be paid only after the judgment of the court approving the safeguard plan and in accordance with its terms. Creditors other than financial creditors (such as public creditors, the tax or social security administration and suppliers) are not directly impacted by accelerated financial safeguard proceedings. Their debts will continue to be due and payable in the ordinary course of business according to their contractual or legal terms.

The regime applicable to standard safeguard proceedings is broadly applicable to accelerated safeguard or accelerated financial safeguard proceedings (for example, creditors will be consulted by way of a committee-based consultation on, as the case may be, a draft accelerated safeguard plan (*projet de plan de sauvegarde accélérée*) or a draft accelerated financial safeguard plan (*projet de plan de sauvegarde financière accélérée*) and creditors that are members of the credit institutions' committee or the major suppliers' committee, but not bondholders, may also prepare alternative draft plans as described above (see "*—Committee-based consultation*")), to the extent compatible with the accelerated timing, since the maximum duration of accelerated safeguard proceedings is three months and the maximum duration of accelerated financial safeguard proceedings is two months (provided the court has decided to extend the initial one-month period). In particular, the creditors' committees and the bondholders' general meeting are required to vote on the proposed safeguard plan within a minimum period of 15 days of its being notified to them in the case of accelerated safeguard proceedings, or within eight days in the case of accelerated financial safeguard proceedings.

However, certain provisions relating to ongoing contracts and to the recovery of assets by their owners do not apply in accelerated safeguard or accelerated financial safeguard proceedings.

The plan in the context of accelerated safeguard proceedings or accelerated financial safeguard proceedings is adopted following the same majority rules as in standard safeguard proceedings and may notably provide for rescheduling, debt cancellation and conversion of debt into equity capital of the debtor (debt-for-equity swaps requiring relevant shareholder consent). No debt rescheduling or cancellation may be imposed, without their consent, on creditors that do not belong to one of the committees or are not bondholders.

If a plan is not adopted by the creditors and approved by the court within the applicable deadline, the court shall terminate the proceedings. The court cannot reschedule amounts owed to the creditors outside of the committee process. Ordinance n° 2020-596 dated May 20, 2020 and Law n° 2020-1525 dated December 7, 2020 provide that for proceedings commenced between May 22, 2020 and December 31, 2021, if a plan is not adopted by the creditors and approved by the court within the applicable deadline the debtor, the judicial administrator, the creditors representative or the public prosecutor may request, without any delay, that reorganization or liquidation proceedings (as the case may be) be opened.

The list of claims of creditors party to the conciliation proceedings certified by the statutory auditor shall be deemed to constitute the filing of such claims for the purpose of accelerated safeguard proceedings or, as applicable, accelerated financial safeguard proceedings (see below) unless the creditors otherwise elect to make such a filing (see below).



### **Court-administered Proceedings—Judicial Reorganization or Liquidation Proceedings**

Judicial reorganization (*redressement judiciaire*) or liquidation (*liquidation judiciaire*) proceedings may be initiated against or by a debtor only if it is insolvent and, in the case of liquidation proceedings only, if the debtor's recovery is manifestly impossible. The debtor is required to petition for judicial reorganization or liquidation proceedings, within 45 days of becoming insolvent if it does not file for conciliation proceedings (as discussed above); *de jure* managers (including directors) and, as the case may be, *de facto* managers that would have failed to file such a petition within the deadline are exposed to civil liability.

Where the debtor requested the commencement of judicial reorganization proceedings and the court, after having heard the debtor, considers that judicial liquidation proceedings would be more appropriate, it may order the commencement of the proceedings which it determines to be most appropriate. The same would apply if the debtor requested the commencement of judicial liquidation proceedings and the court considered that judicial reorganization proceedings would be more appropriate. In addition, at any time during the observation period, upon request of the debtor, the court-appointed administrator, the creditors' representative (*mandataire judiciaire*), a controller, the public prosecutor or upon its own initiative, the court may convert the judicial reorganization proceedings into judicial liquidation proceedings if it appears that the debtor's recovery is manifestly impossible. The court's decision is only taken after having heard the debtor, the court-appointed administrator, the creditors' representative, the controllers, the public prosecutor and the workers' representatives (if any).

The objectives of judicial reorganization proceedings are the sustainability of the business, the preservation of employment and the payment of creditors, in that order.

As soon as judicial reorganization or judicial liquidation proceedings are commenced, any unpaid amount of share capital of the debtor becomes immediately due and payable.

In the event of judicial reorganization proceedings, an administrator (*administrateur judiciaire*) is usually appointed by the court to investigate the business of the debtor during an observation period, which may last up to 18 months, and make proposals either for the reorganization of the debtor (by helping the debtor to elaborate a draft judicial reorganization plan, which is similar to a draft safeguard plan), or the sale of the business or the liquidation of the debtor. The court-appointed administrator will assist the debtor in making management decisions (*mission d'assistance*) or may be empowered by the court to take over the management and control of the debtor (*mission d'administration*). Judicial reorganization proceedings broadly take place in a manner that is similar to safeguard proceedings (see above), subject to certain specificities.

In particular, the rules relating to creditor consultation, especially the powers of the court adopting the judicial reorganization plan (*plan de redressement*) in the event of rejection by the creditors of proposals made to them, are the same (see above). At any time during the observation period, the court can, at the request of the debtor, the court-appointed administrator, the creditors' representative (*mandataire judiciaire*), the public prosecutor or at its own initiative, order the partial stop of the activity (*cessation partielle de l'activité*) or order the liquidation of the debtor if its recovery is manifestly impossible. At the end of the observation period, the outcome of the proceedings is decided by the court.

In addition, Ordinance n° 2020-596 dated May 20, 2020 modified the judicial reorganization proceedings to provide for the new S/R Lien (as defined and detailed above see "*France - Court-administered Proceedings – Safeguard*"). In judicial reorganization proceedings, in case a shareholders' meeting needs to vote to bring the shareholders' equity to a level equal to at least one-half of the share capital as required by Article L. 626-3 of the French Commercial Code, the administrator may appoint a trustee (*mandataire de justice*) to convene a shareholders' meeting and to vote on behalf of the shareholders that refuse to vote in favor of such a resolution if the draft restructuring plan provides for a modification of the equity to the benefit of a third party(ies) undertaking to comply with the reorganization plan.

If the proposed reorganization plans are manifestly not likely to ensure that the debtor will recover or if no reorganization plan is proposed, the court, upon the request of the court-appointed administrator, can order the total or partial transfer of the business in accordance with the process for a sale of the business described below.

In judicial reorganization proceedings if (i) the company has at least 150 employees, or if it controls (within the meaning of the French Labor Code) one or more companies having together at least 150 employees, (ii) the disappearance of the company is likely to cause serious harm to the national or regional economy and to local employment and (iii) the modification of the company's share capital

appears to be the only credible way to avoid harm to the national or regional economy and to allow the continued operation of the business as a going concern, then, at the request of the court-appointed administrator or of the public prosecutor (x) after the review of the options for a total or partial sale of the business and (y) if at least three months have elapsed as from the court decision commencing the proceedings, *provided that* the shareholders meetings required to approve the modification of the company's share capital required for adoption of the reorganization plan have refused such modification, the insolvency court may either:

- appoint a court officer (*mandataire*) in order to convene the shareholders meeting and vote the share capital increase in lieu of the shareholders having refused to do so, up to the amount provided for in the reorganization plan; or
- order, in favor of the persons who have undertaken to perform the reorganization plan, the sale of all or part of the share capital held by the shareholders having refused the share capital modification and holding, directly or indirectly a portion of the share capital providing them with a majority of the voting rights (including as a result of an agreement with other shareholders) or a blocking minority in the company's shareholder meetings, any consent clause being deemed unwritten; the other shareholders have the right to withdraw from the company and request that their shares be purchased simultaneously by the transferees.

In the event of a sale ordered by the court, the price of the shares shall, failing agreement between the parties, be set by an expert designated by the court in summary proceedings.

In either of the above cases, the reorganization plan shall be subject to the undertaking of the new shareholders to hold their shares for a certain time period set by the court which may not exceed the duration of the reorganization plan.

Third parties may make bids to purchase all or part of the debtor's business as a going concern, in the framework of a "sale plan" (*plan de cession*) (see below).

If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator, which is generally the former creditors' representative (*mandataire judiciaire*). There is no observation period in judicial liquidation proceedings nor does the law limit their duration (except with respect to simplified judicial liquidation proceedings). The liquidator is vested with the power to represent the debtor and perform the liquidation operations (mainly liquidate the assets and settle the liabilities to the extent the proceeds from the liquidated assets are sufficient, in accordance with the creditors' priority order of payment). The liquidator will take over the management and control of the debtor and the managers of the debtor are no longer in charge of its management.

Concerning the liquidation of the assets of the debtor, there are two possible outcomes:

- a sale of the business (*cession d'entreprise*) (in which case a court-appointed administrator (*administrateur judiciaire*) will usually be appointed to manage the debtor during a temporary period of continuation of the business operations ordered by the court (three months, renewable once) and organize such sale of the business as a going-concern via an asset sale, a.k.a. a "sale plan" (*plan de cession*)), any third party (as construed under French insolvency law) being entitled to present a bid on all or part of the debtor's business; or
- a sale of the individual assets of the debtor, in which case the liquidator may decide to:
  - launch auction sales (*vente aux enchères* (or *adjudication amiable* for real estate assets only));
  - sell on an amicable basis (*vente de gré à gré*) each asset for which spontaneous purchase offers have been received, (the formal authorization of the insolvency judge being necessary to conclude the sale agreement with the bidder); or
  - request, under the supervision of the insolvency judge, all potential interested purchasers to bid on each asset, as the case may be, by way of a private competitive process whereby the bidders submit their offers only at the hearing without the proposed prices being disclosed before such hearing (*procédure des plis cachetés*). However, the possibility to implement such process is questioned by certain legal authors and case-law in this respect has varied.

If the court adopts a reorganization or sale plan, it can set a time-period during which the assets that it deems to be essential to the continuation of the business of the debtor may not be sold without its consent.

The court will end the proceedings when either no due liabilities remain, the liquidator has sufficient funds to pay off the creditors (*extinction du passif*), or continuation of the liquidation process becomes impossible due to insufficiency of assets (*insuffisance d'actif*).

The court may also terminate the proceedings:

- when the interest of the continuation of the liquidation process is disproportionate compared to the difficulty of selling the assets;
- in the event where there are insufficient funds to pay off the creditors, by appointing a *mandataire* in charge of continuing ongoing lawsuits and allocating the amounts received from these lawsuits between the remaining creditors.

### **The "hardening period" (*période suspecte*) in judicial reorganization and judicial liquidation proceedings**

The date of insolvency (*cessation des paiements*) of a debtor is deemed to be the date of the court order commencing the proceedings, unless the court sets an earlier date, which may be no earlier than 18 months before the date of such court order. Also, except in the case of fraud, the insolvency date may not be set at a date earlier than the date of the final court decision that approved an agreement (*homologation*) in the context of conciliation proceedings (see above). The insolvency date is important because it marks the beginning of the hardening period (*période suspecte*), being the period from the insolvency date of the debtor to the court decision commencing the judicial reorganization or liquidation proceedings affecting it.

Certain transactions entered into during the hardening period are automatically void or voidable by the court.

- Automatically void transactions include transactions or payments entered into during the hardening period that may constitute voluntary preferences for the benefit of some creditors to the detriment of other creditors. These include transfers of assets for no consideration or for a nominal consideration, contracts under which the obligations of the debtor significantly exceed the reciprocal obligations of the other party, payments of debts not due at the time of payment, payments of debts that are due made in a manner that is not commonly used in the ordinary course of business, deposits of cash or monetary instruments ordered by a court decision that has not yet become final to serve as bond or as a precautionary measure in accordance with article 2350 of the French Civil Code, security granted for debts previously incurred, provisional attachment or seizure measures (*mesures conservatoires*) (unless the attachment or seizure predates the date of insolvency), operations relating to stock options, the transfer of any assets or rights to a trust arrangement (*fiducie*) (unless such transfer is made as security for a debt simultaneously incurred), any amendment to a trust arrangement (*fiducie*) that affects assets or rights already transferred in the trust as security for debt incurred prior to such amendment, and notarized declarations of exemption of assets from seizure (*déclaration d'insaisissabilité*) pursuant to article L. 526-1 of the French Commercial Code.
- Transactions that are voidable by the court include payments made on debts that are due, transactions for consideration and notices of attachments made to third parties (*avis à tiers détenteur*), seizures (*saisie attribution*) and oppositions made during the hardening period, in each case if the court determines that the party dealing with the debtor knew that the debtor was insolvent at the relevant time. Transactions relating to the transfer of assets for no consideration and notarized declarations of exemption of assets from seizure (*déclaration d'insaisissabilité*) pursuant to article L. 526-1 of the French Commercial Code are also voidable when entered into during the six-month period prior to the beginning of the hardening period.

There is no hardening period prior to safeguard proceedings.

### **Status of Creditors during Safeguard, Accelerated Safeguard, Accelerated Financial Safeguard, Judicial Reorganization or Judicial Liquidation Proceedings**

Contractual provisions pursuant to which the commencement of the proceedings triggers the acceleration of the debt (except with respect to judicial liquidation proceedings in which the court does not order the continued operation of the business) or the termination or cancellation of an ongoing

contract are not enforceable against the debtor. Nor are "contractual provisions modifying the conditions of continuation of an ongoing contract, diminishing the rights or increasing the obligations of the debtor solely upon the opening of judicial reorganization proceedings" (in accordance with a decision of the French Supreme Court dated January 14, 2014, n° 12-22.909, which case law is likely to be extended to safeguard, accelerated safeguard or accelerated financial safeguard proceedings). However, the court-appointed administrator can unilaterally decide to terminate ongoing contracts (*contrats en cours*) which it believes the debtor will not be able to continue to perform. Conversely, the court-appointed administrator can require that other parties to a contract continue to perform their obligations even though the debtor may have been in default, but on the condition that the debtor fully performs its post-commencement contractual obligations (and *provided that*, in the case of judicial reorganization or judicial liquidation proceedings, absent consent to other terms of payment, the debtor pays cash on delivery). The commencement of liquidation proceedings, however, automatically accelerates the maturity of all of a debtor's obligations unless the court orders the continued operation of the business with a view to the adoption of a "sale plan" (*plan de cession*) as described above; in such case, the acceleration of the obligations will only occur on the date of the court decision adopting the "sale plan" (*plan de cession*), as described above, or on the date on which the continued operation of the business ends.

As from the court decision commencing the proceedings:

- accrual of interest is suspended, except in respect of loans for a term of at least one year, or of contracts providing for a payment which is deferred by at least one year (however, accrued interest can no longer be compounded);
- the debtor is prohibited from paying debts incurred prior to the commencement of the proceedings, subject to specified exceptions (which essentially cover the set-off of related (*connexes*) debts and payments authorized by the insolvency judge (*juge commissaire*) to recover assets required by the continued operation of the business);
- the debtor is prohibited from paying debts having arisen after the commencement of the proceedings unless they were incurred for the purposes of the proceedings or of the observation period or in consideration of services rendered/goods provided to the debtor;
- debts duly arising after the commencement of the proceedings and that were incurred for the purposes of the proceedings or of the observation period, or in consideration of services rendered/goods provided to the debtor during this period, must be paid as and when they fall due and, if not, will be given priority over debts incurred prior to the commencement of the proceedings (with certain limited exceptions, such as claims secured by a New Money Lien), provided that they are duly brought to the attention of the judicial administrator or, failing one, the *mandataire judiciaire*, or, should they both have ceased to be in office, the plan commissioner or the judicial liquidator within one year of the end of the observation period;
- creditors (only financial creditors in the case of accelerated financial safeguard proceedings) may not initiate or pursue any individual legal action against the debtor (or against a guarantor of the debtor where such guarantor is a natural person and the proceedings are safeguard, accelerated safeguard or accelerated financial safeguard) with respect to any claim arising prior to the court decision commencing the proceedings, if the objective of such legal action is:
  - to obtain an order for payment of a sum of money by the debtor to the creditor (however, the creditor may require that a court determine the amount due in order to file a proof of claim, as described below);
  - to terminate a contract for non-payment of amounts owed by the creditor; or
  - to enforce the creditor's rights against any assets of the debtor except (i) in judicial liquidation proceedings, by way of the applicable specific process for judicial foreclosure (*attribution judiciaire*) of the pledged assets or (ii) where such asset - whether tangible or intangible, movable or immovable - is located in another Member State within the European Union, in which case the rights in rem of creditors thereon would not be affected by the insolvency proceedings commenced in France, in accordance with the terms of Article 8 of the EU Insolvency Regulation;
- in the context of reorganization or liquidation proceedings only, absent consent to other terms of payment, immediate cash payment for services rendered pursuant to an ongoing contract (*contrat en cours*), will be required.

A natural person that is the guarantor of the debtor may avail itself of the provisions of a safeguard plan ("*plan de sauvegarde*") adopted by the Court but not of the provisions of a judicial reorganization plan ("*plan de redressement*").

In accelerated financial safeguard proceedings, the above rules only apply to the creditors that fall within the scope of the proceedings (see above). Debts owed to other creditors, such as suppliers, continue to be payable in the ordinary course of business.

As a general rule, creditors domiciled in metropolitan France whose claims arose prior to the commencement of proceedings must file a claim with the court-appointed creditors' representative within two months of the publication of the court decision in an official gazette (*Bulletin Officiel des annonces civiles et commerciales*); this period is extended to four months for creditors domiciled outside metropolitan France. Creditors must also file a claim for the post-commencement non-privileged debts, with respect to which the two- or four-month period referred to above starts to run as from their maturity date. Creditors whose claims have not been submitted during the relevant period are, except for limited exceptions, barred from receiving distributions made in connection with the proceedings. Employees are not subject to such limitations and are preferred creditors under French law.

At the beginning of the proceedings, the debtor must provide the court-appointed administrator and the creditors' representative with the list of all its creditors and all of their claims. Where the debtor has informed the creditors' representative of the existence of a claim, the claim as reported by the debtor is deemed to be a filing of the claim with the creditors' representative on behalf of the creditor. Creditors are allowed to ratify or amend a proof of claim so made on their behalf until the insolvency judge rules on the admissibility of the claim. They may also file their own proof of claim within the deadlines described above.

In accelerated safeguard and accelerated financial safeguard proceedings however, the debtor draws a list of the claims of its creditors having taken part in the conciliation proceedings, which is certified by its statutory auditors or accountant. Although such creditors may file proofs of claim as part of the regular process, they may also avail themselves of this simplified alternative and merely adjust if necessary the amounts of their claims as set forth in the list prepared by the debtor (within the above two or four months' time limit). Creditors that did not take part in the conciliation proceedings must file their proofs of claim within the aforementioned deadlines.

If the court adopts a safeguard plan, accelerated safeguard plan, accelerated financial safeguard plan or reorganization plan, claims of creditors included in the plan will be paid according to the terms of the plan.

If the court adopts a sale plan (plan de cession) of the debtor in judicial reorganization or judicial liquidation proceedings (see above), the proceeds of the sale will be allocated towards the repayment of its creditors according to the ranking of the claims. If the court decides to order the judicial liquidation of the debtor, the liquidator appointed by the court will be in charge of settling the debtor's debts in accordance with their ranking.

French insolvency law assigns priority to the payment of certain preferred creditors, including employees, post-commencement legal costs (essentially, court officials fees), creditors who benefit from a New Money Lien or a S/R Lien (see above), post-commencement privileged creditors and the French State (taxes and social charges). In the event of judicial liquidation proceedings only, certain pre-commencement secured creditors whose claim is secured by real estate are paid prior to post-commencement privileged creditors. This order of priority does not apply to all creditors, for example it does not apply to creditors benefiting from a retention right over assets with respect to their claim related to such asset.

### **Creditors' Liability**

Pursuant to Article L. 650-1 of the French Commercial Code (as interpreted by case law), where safeguard, judicial reorganization or judicial liquidation proceedings have been commenced, creditors may only be held liable for the losses suffered as a result of facilities granted to the debtor, if the granting of such facilities was wrongful and if the relevant creditor (i) committed a fraud, or (ii) interfered with the management of the debtor or (iii) obtained security or guarantees which are disproportionate to such facilities. In addition, any security or guarantees taken to support facilities in respect of which a creditor is found liable on any of these grounds can be cancelled or reduced by the court.

## **Limitations on Guarantees**

The liabilities and obligations of each French Guarantor are subject to:

- certain exceptions, including to the extent of any obligations which would constitute prohibited financial assistance within the meaning of Article L. 225-216 of the French Commercial Code or infringement of the provisions of Articles L. 241-3, L. 242-6 or L. 244-1 of the French Commercial Code; and
- French corporate benefit rules.

Under French financial assistance rules, a company is prohibited from guaranteeing indebtedness of another company that is used, directly or indirectly, for the purpose of its acquisition.

Under French corporate benefit rules, a guarantor must receive an actual and adequate benefit from the transaction involving the granting by it of the guarantee, taken as a whole. A court could declare any guarantee unenforceable and, if payment had already been made under the relevant guarantee, require that the recipient return the payment to the relevant guarantor, if it found that these criteria were not fulfilled. The existence of a real and adequate benefit to the guarantor and whether the amounts guaranteed are commensurate with the benefit received are matters of fact as to which French case law provides no clear guidance.

Accordingly, each of the guarantees by the French Guarantors and the amounts recoverable thereunder will be limited, at any time, to an amount equal to the aggregate of the proceeds of the Notes to the extent directly or indirectly on-lent by the Issuer, or used to refinance any indebtedness previously directly or indirectly on-lent, to that French Guarantor or any of its subsidiaries under intercompany loans or similar arrangements and outstanding on the date a payment is requested to be made by such French Guarantor under its Notes Guarantees. Any payment made by such French Guarantor under its Notes Guarantees in respect of the obligations of any other obligor shall reduce *pro tanto* the outstanding amount of the intercompany loans due by such French Guarantor or its subsidiaries under the intercompany loan arrangements referred to above. By virtue of this limitation, a French Guarantor's obligation under the Notes Guarantees could be significantly less than amounts payable with respect to the Notes, or a French Guarantor may have effectively no obligation under its Notes Guarantees.

In addition, if a French Guarantor receives, in return for issuing the guarantee, an economic return that is less than the economic benefit such French Guarantor would obtain in a transaction entered into on an arm's-length basis, the difference between the actual economic benefit and that in a comparable arm's-length transaction could be taxable under certain circumstances.

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

Under French law, a security interest in certain assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor of the security. The liens on 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 liens. Furthermore, it should be noted that no Trustee or Security Agent shall have any obligation to take any steps or action to perfect any of these liens. In particular, pledges over the securities of French subsidiaries in the form a stock company (*société par actions*) that are governed by French law consist of pledges over a securities account (*nantissement de compte de titres financiers*) in which the relevant securities are registered. The securities account pledges will be validly established after execution of a statement of pledge (*déclaration de nantissement de compte titres financiers*) by each security provider in favor of the Security Agent. Each statement of pledge will have to be registered in the relevant shareholder's account (*compte d'actionnaire*) and shares registry (*registre de mouvement de titres*) of each French Guarantor. In France, no lien searches are available for security interests which are not publicly registered (such as pledges over securities account), with the result that no assurance can be given on the priority of a security interest if it is not publicly registered.

### Limitations on enforcement of security interests and cash amount ("soulte")

Security interests governed by French law may only secure a creditor up to the secured amount that is due and unpaid to it. Pledges over securities (whether in the form of a pledge over securities account or in the form of a pledge over shareholding interests (*parts sociales*)) may generally be enforced at the option of the secured creditors either (i) by way of a sale of the pledged securities in a public auction (the proceeds of the sale being paid to the secured creditors) or (ii) by way of judicial foreclosure

(*attribution judiciaire*) or contractual foreclosure (*pacte comissoire*) of the pledged securities to the secured creditors, following which the secured creditors become the legal owner of the pledged securities. If the secured creditors choose to enforce by way of foreclosure (whether a judicial foreclosure or contractual foreclosure), the secured liabilities would be deemed extinguished up to the value of the foreclosed securities. Such value is determined either by the court in the context of a judicial attribution or by a pre-contractually agreed expert in the context of a contractual foreclosure. If the value of the Collateral exceeds the amount of secured debt, the secured creditor may be required to pay the pledgor a cash amount (*soulte*) equal to the difference between the value of the securities as so determined and the amount of the secured debt. This is true regardless of the actual amount of proceeds ultimately received by the secured creditor from a subsequent on-sale of the Collateral.

If the value of such securities is less than the amount of the secured debt, the relevant amount owed to the relevant creditors will be reduced by an amount equal to the value of such securities, and the remaining amount owed to such creditors will be unsecured in that respect.

An enforcement of the pledged securities could be undertaken through a public auction in accordance with applicable law. If enforcement is implemented through a public auction procedure, it is possible that the sale price received in any such auction might not reflect the value of the securities since the latter will not be sold pursuant to a competitive bid process and/or a private sale organized by an investment bank and controlled by the vendor on the basis of a value determined pursuant to the methods usually used for the purpose of the acquisition of companies or groups of companies.

In addition, in view of the area of activity of the Group or certain members of the Group, it should be noted that foreign investments in companies or businesses which operate in certain sectors (notably where their activities relate to equipment, products or services which are critical to the interests of France in terms of public order, public safety or national security, in particular in the areas of energy and water supply, public health, public transport and electronic communication) may require the prior authorization of the French authorities. This requirement may interfere with the enforcement of the Collateral consisting of shares or a business.

Where any of the above sectors are involved, the following shall constitute foreign investments which are subject to the prior authorization procedure:

- A transaction as a result of which a non-EU investor (i) acquires the control (within the meaning of Article L. 233-3 of the French Commercial Code), (ii) acquires all or part of a business (*branche d'activité*) or (iii) crosses the threshold of 33.33 percent of the share capital, in each case of a company whose registered office is located in France.
- A transaction as a result of which an EU investor (i) acquires the control (within the meaning of Article L. 233-3 of the French Commercial Code) or (ii) acquires all or part of a business, in either case of a company whose registered office is located in France.
- A transaction as a result of which a French investor under non-French control acquires all or part of a business of a company whose registered office is located in France.

When a foreign investment is subject to the authorization of the French authorities as above, the transaction cannot be completed prior to authorization. The foreign investor must submit a formal application for prior authorization to the French authorities which must render a decision within two months of receipt of the application (failing which authorization shall be deemed to have been granted).

In addition to these limitations, specific insolvency-related limitations may prevent the enforcement of security interests in the context of court-assisted or court-administered proceedings.

#### Security Agent

Articles 2488-6 to 2488-12 of the French Civil Code allow the creation of security interests and personal guarantees for the direct benefit of a security agent, which will hold such rights separately from its own estate. As a result, the rights of secured creditors under security interests and personal guarantees will be ring fenced if the security agent is the subject of insolvency proceedings (except in cases of fraud or in cases of the exercise of a right of pursuit (*droit de suite*) of a creditor). The security agent will remain liable for gross negligence or willful misconduct in the performance of its duties. The security agent can take all legal actions to protect the secured creditor's interests and file a receivable on behalf of one or several creditors in a debtor's insolvency proceeding. The security agent must be appointed pursuant to a written agreement specifying its quality, its duties, the duration of its duties and its powers.

### Parallel Debt - Trust

The beneficial holders of interests in the Notes from time to time will not be parties to the Security Documents. In order to permit the beneficial holders of the Notes to benefit from a secured claim, there will be provided for the creation of "parallel debt" obligations in favor of the Security Agent (the "**Parallel Debt**") mirroring the obligations of the Issuer (as principal obligors) towards the holders of the Notes under or in connection with the Indentures (the "**Principal Obligations**").

The Parallel Debt will at all times be in the same amount and payable at the same time as the Principal Obligations. Any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. Pursuant to the Parallel Debt, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the Notes. The pledges governed by French law will directly secure the Parallel Debt, and may not directly secure the obligations under the Notes and the other indebtedness secured by the Collateral. The holders of the Notes will not be entitled to take enforcement actions in respect of such security interests except through the Security Agent (even if they are in some instances direct beneficiaries of the security interests in the Collateral).

There is one published decision of the French Supreme Court (*Cour de cassation*) on Parallel Debt mechanisms (Cass. com. September 13, 2011 n°10-25533 *Belvédère*) relating to a bond documentation governed by New York law. Such a decision recognized the enforceability in France of certain rights (especially the filing of claims in safeguard proceedings) of a security agent benefiting from a Parallel Debt. In particular, the French Supreme Court upheld the proof of claim of the legal holders of a Parallel Debt claim, considering that it did not contravene French international public policy (*ordre public international*) rules. The ruling was made on the basis that the French debtor was not exposed to double payment or artificial liability as a result of the Parallel Debt mechanism. Although this court decision is generally viewed by legal practitioners and academics as a recognition by French courts of Parallel Debt structures in such circumstances, there can be no assurance that such a structure will be effective in all cases before French courts. Indeed, it should be noted that the legal issue addressed by it is limited to the proof of claims. The French court was not asked to generally uphold French security interests securing a Parallel Debt. It is also fair to say that case law on this matter is scarce and based on a case-by-case analysis. Such a decision should not be considered as a general recognition of the enforceability in France of the rights of a security agent benefiting from a Parallel Debt claim. There is no certainty that the Parallel Debt construction will eliminate the risk of unenforceability under French law.

To the extent that the security interests in the Collateral created to the benefit of the Security Agent as Parallel Debt Creditor under the Parallel Debt construction are successfully challenged by other parties, holders of the Notes will not be entitled to receive on this basis any proceeds from an enforcement of the security interests in the Collateral. The holders of the Notes will bear the risks associated with the possible insolvency or bankruptcy of the Security Agent as the beneficiary of the Parallel Debt.

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

The concept of "trust" has been recognized by the French Tax Code and the French Supreme Court (*Cour de cassation*), which has held, in the same published decision referred to above (Cass. com. September 13, 2011 n°10-25533 *Belvédère*) that a trustee validly appointed under a trust governed by the laws of the State of New York could validly be regarded as a creditor in safeguard proceedings commenced in France. However, while substantial comfort may be derived from the above, France has not ratified the Hague Convention of July 1, 1985 on the law applicable to trusts and on their recognition, so that the concept of "trust" has not been generally recognized under French law.

The Security Documents are granted to the benefit of *inter alia* the relevant Trustee. To the extent that the security interests in the Collateral created to the benefit of the relevant Trustee are successfully challenged by other parties, holders of the Notes will not be entitled to receive on this basis any proceeds from an enforcement of the security interests in the Collateral. In addition, the holders of the Notes will bear the risks associated with the possible insolvency or bankruptcy of the relevant Trustee.

### Fraudulent conveyance

French law contains specific, "*action paulienne*" provisions dealing with fraudulent conveyance both in and outside insolvency proceedings. The *action paulienne* offers creditors protection against a decrease



in their means of recovery. A legal act performed by a debtor (including, without limitation, an agreement pursuant to which such debtor guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of such debtor's or a third party's obligations, enters into additional agreements benefiting from existing security or any other legal act having similar effect) can be challenged in or outside insolvency proceedings of the relevant debtor by the creditors' representative (*mandataire judiciaire*), the commissioner of the safeguard or reorganization plan (*commissaire à l'exécution du plan*) insolvency proceedings of the relevant debtor, or by any of the creditors of the relevant debtor outside the insolvency proceedings or any creditor who was prejudiced in its means of recovery as a consequence of the act in or outside insolvency proceedings. Any such legal act may be declared unenforceable against third parties if: (i) the debtor performed such act without an obligation to do so; (ii) the relevant creditor or (in the case of the debtor's insolvency proceedings) any creditor was prejudiced in its means of recovery as a consequence of the act; and (iii) at the time the legal act was performed, both the debtor and the counterparty to the transaction knew or should have known that one or more of such debtor's creditors (existing or future) would be prejudiced in their means of recovery (where the legal act was entered into for no consideration (*à titre gratuit*), no such knowledge of the counterparty is necessary). If a court found that the issuance of the Notes, the grant of the security interests in the Collateral, or the granting of a Notes Guarantee involved a fraudulent conveyance that did not qualify for any defense under applicable law, then the issuance of the Notes, the granting of the security interests in the Collateral or the granting of such Notes Guarantee could be declared unenforceable against third parties or declared unenforceable against the creditor who lodged the claim in relation to the relevant act. As a result of such successful challenges, holders of the Notes may not enjoy the benefit of the Notes, the Notes Guarantees or the security interests in the Collateral and the value of any consideration that holders of the Notes received with respect to the Notes, the security interests in the Collateral or the Notes Guarantees could also be subject to recovery from the holders of the Notes and, possibly, from subsequent transferees. In addition, under such circumstances, holders of the Notes might be held liable for any damages incurred by prejudiced creditors of the Issuer or the Guarantors as a result of the fraudulent conveyance.

### **Recognition of intercreditor arrangements by French courts**

There is no law or published decision of the French courts of appeal or of the French Supreme Court (*Cour de cassation*) on the validity or enforceability of the obligations of an agreement such as the New Intercreditor Agreement, except for Articles L. 626-30-2 and L. 631-19 of the French Commercial Code pursuant to which, in the context of safeguard or judicial reorganization proceedings, the safeguard or reorganization plan which is put to the vote of the creditors' committees takes into consideration (*prend en compte*) the provisions of subordination agreements between creditors which were entered into prior to the commencement of the safeguard, or judicial reorganization, proceedings. As a consequence, except to the extent referred to above (which, as of the date of this Offering Memorandum, has received no judicial interpretation), we cannot rule out that a French court would not give effect to certain provisions of the New Intercreditor Agreement.

### **Recognition of validity of second or lower ranking financial securities account pledges by French courts**

The New Intercreditor Agreement provides for a mechanism allowing the implementation of second or lower ranking pledges over financial securities accounts.

To our knowledge, French courts have never expressly recognized the concept of second (or lower) ranking pledges in respect of a financial securities account and, if article 2340 of the French Civil Code does recognize the possibility to create multiple pledges in respect of the same tangible asset, this article is not expressly stated to apply to pledges over financial securities accounts. In addition, a pledge over securities accounts is deemed, under French law, to remove the securities account from the possession of the grantor, thereby preventing such grantor from granting a second or lower ranking pledge thereon. The second or lower ranking pledge over the shares of such a company will therefore provide that the possession of the securities account is transferred to the custody of an agreed third party as *"tiers convenu"* (*entiercement*), that the first ranking and second or lower ranking secured parties have consented to the creation of second or lower ranking pledge and that the first ranking secured parties have accepted their appointment as *tiers convenu* and hold the pledged securities as custodian for the benefit of both the first ranking and the second or lower ranking secured parties. This structure has not been tested before the French courts and no assurance can be given that such second or lower ranking pledges would be upheld if tested. Therefore, there is a risk that the second or lower ranking pledge over the securities account in which the shares of such company are respectively registered may be held void or unenforceable by a French court, which in turn could materially adversely

affect the recovery under the Notes or Notes Guarantees (as applicable) following an enforcement event.

### ***Assumptions as to the enforceability of second ranking bank accounts pledges over the bank accounts***

The pledges over the bank accounts are governed by French law. In France, no lien searches are available for security interests which are not registered, such as pledges over bank accounts. As a result, no assurance can be given on the priority of the pledges over the relevant bank accounts of a company.

Although French law does not expressly prohibit the grantor of a pledge over a bank account from granting a second ranking pledge over the same bank account, this structure has not been tested before the French courts and no assurances can be given that such second ranking pledges would be upheld if tested.

## **Luxembourg**

### ***Insolvency***

Pursuant to Luxembourg insolvency laws, your ability to receive payment under the Notes may be more limited than would be the case under U.S. bankruptcy laws or the laws of other jurisdictions with which you may be familiar.

The Notes will be guaranteed by the Luxembourg Guarantor, which is incorporated under the laws of Luxembourg. Accordingly, Luxembourg courts should have, in principle, jurisdiction to open “main insolvency proceedings” (as defined in the EU Insolvency Regulation) with respect to the Luxembourg Guarantor, as an entity having its registered office and central administration (*administration centrale*) and centre of main interests (“**COMI**”), as used in the EU Insolvency Regulation, in the Grand Duchy of Luxembourg, such proceedings to be governed by Luxembourg insolvency laws. According to article 3(1) of the EU Insolvency Regulation, there is a rebuttable presumption that a company has its COMI in the jurisdiction in which it has its registered office if the registered office has not moved to another member state within 3 months prior to the request for the opening of insolvency proceedings. As a result, there is a rebuttable presumption that the COMI of the Luxembourg Guarantor is in the Grand Duchy of Luxembourg and consequently that any main insolvency proceedings would be opened by a Luxembourg court and be governed by Luxembourg law.

However, the determination of where the Luxembourg Guarantor has its COMI is a question of fact, which may change from time to time. Article 3(1) of the EU Insolvency Regulation provides that the COMI of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and is ascertainable by third parties.

In that respect, the courts have to take a number of factors into consideration. The place where board meetings are held, the location where the company conducts the majority of its business and the location where the large majority of the company's creditors are established may all be relevant factors in the determination of the place where the company has its COMI. The point at which a company's COMI is determined is at the time that the relevant insolvency proceedings are opened.

The following is a brief description of certain aspects of insolvency laws in Luxembourg.

Under Luxembourg law, the following types of proceedings (together referred to as “insolvency proceedings”) may be opened against (i) if the EU Insolvency Regulation applies, entities which have their COMI or an establishment in Luxembourg (in the case of an establishment, in respect of secondary proceedings only and assuming that the COMI is located in a member state other than Denmark and Luxembourg) or (ii) in all other cases (except specific sector-related proceedings, such as in respect of credit institutions and insurers), entities which have their central administration in Luxembourg:

- bankruptcy proceedings (“*faillite*”), the opening of which may be requested by the company or by any of its creditors. Following such a request, the Luxembourg courts having jurisdiction may open bankruptcy proceedings if the relevant company: (i) is in a state of cessation of payments (“*cessation des paiements*”) and (ii) has lost its creditworthiness (“*ébranlement de crédit*”). If a Luxembourg court finds that both of these conditions are satisfied, it may also open bankruptcy proceedings *ex officio*. The main effect of such proceedings is the suspension of all measures of enforcement against the company (except, subject to certain limited exceptions, for enforcement by secured creditors), and the payment of the secured creditors in accordance with their rank upon realization of the assets. In addition, the managers or directors of a

Luxembourg company that ceases its payments (i.e. it is unable to pay its debts as they fall due with normal means of payment) must within a month of them having become aware of the company's cessation of payments, file a petition for bankruptcy ("*faillite*") with the court clerk of the district court applicable to the company's registered office. If the managers or directors fail to comply with such obligation, they may be held (i) liable towards the company or any third-parties for any loss suffered and (ii) criminally liable for simple bankruptcy ("*banqueroute simple*") in accordance with article 574 of the Luxembourg Code of Commerce ("*Code de commerce*");

- controlled management proceedings ("*gestion contrôlée*"), the opening of which may only be requested by the company and not by its creditors and under which a Luxembourg court may order provisional suspension of payments, including a stay of enforcement of claims by secured creditors subject to certain limited exceptions; and
- composition with creditors proceedings ("*concordat préventif de faillite*"), the opening of which may be requested only by the company (subject to the prior consent of creditors holding at least 75% of the claims outstanding against such company) and not by its creditors themselves. The Luxembourg court's decision to admit a company to the composition with creditors proceedings triggers a provisional stay on enforcement of claims by creditors (subject to certain limited exceptions).

In addition to these proceedings, your ability to receive payment on the Notes may be affected by a decision of a Luxembourg court to grant a reprieve from payments ("*sursis de paiement*") or to put the Luxembourg company into judicial liquidation ("*liquidation judiciaire*"). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious breach or violation of the Luxembourg Code of Commerce or of the Luxembourg Law on Commercial Companies. The management of such liquidation proceedings will generally follow similar rules as those applicable to Luxembourg bankruptcy proceedings.

Liability of a Luxembourg company in respect of the Notes will, in the event of a liquidation of the company following bankruptcy or judicial liquidation proceedings, only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and any claims that are preferred under Luxembourg law. Preferential claims under Luxembourg law include, among others:

- remuneration owed to employees;
- social security contributions;
- certain amounts owed to the Luxembourg tax administration; and
- value added tax and other taxes and duties owed to the tax administration.

Assets over which a security interest has been granted will in principle not be available for distribution to unsecured and unpreferred creditors (except after enforcement and to the extent a surplus is realized).

During such insolvency proceedings, all enforcement measures by unsecured creditors are suspended, save as provided for in the Luxembourg Financial Collateral Law. Other than as described below, the ability of certain secured creditors to enforce their security interest may also be limited, in particular, in the event of controlled management proceedings providing expressly that the rights of secured creditors are frozen until a final decision has been taken by a Luxembourg court as to the petition for controlled management, and may be affected thereafter by a reorganization judgment given by the court. A reorganization judgment requires the prior approval by more than 50% of the creditors, representing via their claims which have not been challenged more than 50% of the relevant Luxembourg company's liabilities, and the court's approval in order to take effect.

Furthermore, declarations of default and subsequent acceleration (such as acceleration upon the occurrence of an event of default) may not be enforceable during controlled management proceedings.

Save with respect to financial collateral arrangements falling within the scope of the Luxembourg Financial Collateral Law, Luxembourg insolvency laws may also affect transactions entered into or payments made by a Luxembourg company during the hardening period ("*période suspecte*") which is a maximum of six months preceding the judgment declaring bankruptcy, except that in certain specific situations a Luxembourg court may set the start of the hardening period at an earlier date. In particular:

- pursuant to article 445 of the Luxembourg Code of Commerce, some specific transactions (such as, in particular, the granting of a security interest for prior existing debts; the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; the sale of assets without consideration or with substantially inadequate consideration) entered into during the hardening period (or the ten preceding days) must be set aside or declared null and void, if so requested by the insolvency receiver;
- pursuant to article 446 of the Luxembourg Code of Commerce, payments made for matured debts as well as other transactions entered into for consideration during the hardening period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were entered into with the knowledge of the bankrupt party's cessation of payments;
- pursuant to article 447 of the Luxembourg Code of Commerce, the bankruptcy receiver may challenge and initiate nullity actions against mortgages and privileges that have been granted either ten days prior to or after the date of the cessation of payments if more than 15 days have elapsed between the granting of the mortgage or privilege and its registration; and
- pursuant to article 448 of the Luxembourg Code of Commerce and article 1167 of the Luxembourg Civil Code, (*action paulienne*), the bankruptcy receiver (acting on behalf of the creditors) has the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit.

In principle, a bankruptcy judgment rendered by a Luxembourg court does not result in automatic termination of contracts, except for *intuitu personae* contracts, that is, contracts for which the identity of the company or its solvency were crucial (such as employment agreements and powers of attorney).

Such contracts, therefore, subsist after the bankruptcy judgment. However, the insolvency receiver may choose to terminate certain contracts in order to avoid the worsening of the financial condition of the company. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue *vis-à-vis* the bankruptcy estate. The bankruptcy judgment provides for a period of time during which creditors must file their claims with the clerk's office of the Luxembourg district court sitting in commercial matters.

Insolvency proceedings may hence have a material adverse effect on the relevant Luxembourg company's business and assets and the Luxembourg company's respective obligations with respect to the Notes.

In addition, international aspects of Luxembourg bankruptcy, controlled management or composition with creditors proceedings may be subject to the EU Insolvency Regulation. In particular, rights *in rem* over assets located in another jurisdiction where the EU Insolvency Regulation is applicable will not be affected by the opening of insolvency proceedings, without prejudice however to the application of rules relating to the voidness, voidability or unenforceability of legal acts detrimental to all the creditors (subject to the application of article 24 of the Luxembourg Financial Collateral Law, as described below and article 16 of the EU Insolvency Regulation).

The Luxembourg Financial Collateral Law provides for favorable rules in respect of security interests over claims or financial instruments securing monetary claims (or claims for the delivery of financial instruments).

Article 20 of the Luxembourg Financial Collateral Law provides that all Luxembourg law collateral arrangements (pledges, security assignments and repo agreements) over claims and financial instruments, as well as all enforcement measures agreed upon by the parties in accordance with this law, are valid and enforceable, even if entered into during the hardening period ("*période suspecte*"), against third-parties, commissioners, receivers, liquidators and other similar persons irrespective of any bankruptcy, liquidation or other situation of composition with creditors, whether national or foreign, save in the case of fraud.

Article 24 of the Luxembourg Financial Collateral Law provides that foreign law security interests over claims or financial instruments granted by a Luxembourg security grantor will be valid and enforceable as a matter of Luxembourg law notwithstanding any Luxembourg insolvency proceedings, if such foreign law security interests are similar in nature to a Luxembourg security interests falling within the

scope of the Luxembourg Financial Collateral Law. If article 24 applies, Luxembourg hardening period rules are disapplied (save for in the case of fraud).

Article 21 (2) of the Luxembourg Financial Collateral Law provides that where a financial collateral arrangement has been entered into after the opening of liquidation proceedings or the coming into force of reorganization measures or the entry into force of such measures, such arrangement is enforceable against third parties, administrators, insolvency receivers, liquidators and other similar organs if the collateral taker proves that it was unaware of the fact that such proceedings had been opened or that such measures had been taken or that it could not reasonably be aware of it.

### **Security Interest Considerations**

The granting of security interests over movable or immovable, tangible or intangible, assets may be subject to validity and/or enforceability conditions. The breach of any of such conditions may render such security interests invalid or unenforceable. Subject to the below, the enforcement of security interests may be subject to formalities (including judicial or non-judicial consent) and may be time-consuming in the event that the enforcement takes place under judicial control or in the event of a legal dispute. Courts may condition the enforcement of a security interest upon evidence that the creditor has a final and undisputed claim triggering the enforcement of the security interest. The enforcement of security interests may be hindered by conflict of law and/or conflict of jurisdiction issues and must not breach any public policy provision and/or mandatory legal provisions.

According to Luxembourg conflict of law rules, the courts in Luxembourg will generally apply the *lex rei sitae* or *lex situs* (the law of the place where the assets or the subject matter of the security interest are situated) in relation to the creation, perfection and enforcement of security interests over such assets.

As a consequence, Luxembourg law will apply in relation to the creation, perfection and enforcement of security interests over assets located or deemed to be located in Luxembourg, such as registered shares in Luxembourg companies, bank accounts held with a Luxembourg bank, receivables governed by Luxembourg law and/or having debtors located in Luxembourg, tangible assets located in Luxembourg, securities which are held through an account located in Luxembourg, etc.

If there are assets located or deemed to be located in Luxembourg, the security interests over such assets will be governed by Luxembourg law and must be created, perfected and enforced in accordance with Luxembourg law.

The Luxembourg Financial Collateral Law governs the creation, validity, perfection and enforcement of security interests over shares, bank accounts and receivables located or deemed to be located in Luxembourg.

Under the Luxembourg Financial Collateral Law, the perfection of security interests depends on certain registration, notification and acceptance requirements. A pledge over shares will be perfected once (i) acknowledged and accepted by the company which has issued the pledged shares and (ii) registered in the relevant register held by the company. If future shares are pledged, the perfection of such pledge will require additional registration in the relevant register of such company. A pledge or an assignment for security purposes granted over receivables becomes enforceable against the debtor of the receivables and third parties from the moment when the relevant pledge or the assignment agreement is entered into. However, if the debtor has not been notified of the pledge or the assignment or if it did not otherwise acquire knowledge of the pledge or the assignment, payments to the pledgor or assignor will constitute a valid discharge. In the case of a Luxembourg law receivables pledge or assignment for security purposes, where one or more debtors under the underlying receivables are domiciled in a country other than Luxembourg, the perfection requirements of the respective laws of the domiciles of such debtors would also need to be complied with. A bank account pledge must be notified to and accepted by the account bank. If the account bank has any pre-existing security interests and/or other rights (including any right of set-off) in respect of the relevant account, the acceptance of the account bank of the pledge and waiver of its higher ranking rights is required. If (future) bank accounts (opened with the same account bank) are pledged, the perfection of such pledge will require additional notification to, acceptance and waiver by the account bank. Until such registrations, notifications and acceptances occur, the pledges are not effective and perfected against the debtors, the account banks or other third parties.

Article 11 of the Luxembourg Financial Collateral Law sets out enforcement remedies available in relation to pledges upon the occurrence of an enforcement event, including, but not limited to:

- direct appropriation of the pledged assets (by the pledgee or a designated third party) at (i) a value determined (before or after the enforcement) in accordance with a valuation method agreed upon by the parties or (ii) in the case of financial instruments which are listed on a stock market or another qualifying regulated market, their listing price;
- sale of the pledged assets (i) in a private transaction at normal commercial terms (*conditions commerciales normales*), (ii) by a public sale at the stock exchange or (iii) by way of a public auction;
- attribution in court of the pledged assets in discharge of the secured obligations following a valuation made by a court-appointed expert; or
- set-off between the secured obligations and the pledged assets.

The timing of the enforcement will depend on the practical steps needed to enforce the security (e.g. the time of the negotiations in the case of a private sale). No legal proceedings are required in Luxembourg for most enforcement methods.

### **Registration in Luxembourg**

The registration of the Notes, the Indenture, the Guarantees and any other Finance Documents (and any document in connection therewith) with the *Administration de l'Enregistrement et des Domaines* in Luxembourg may be required if such documents are either (i) attached as an annex to an act (*annexés à un acte*) that itself is subject to mandatory registration or (ii) deposited in the minutes of a notary (*déposés au rang des minutes d'un notaire*). In such cases, as well as in the case of a voluntary registration, the documents will be subject to registration duties payable by the party registering, or being ordered to register, the documents. If such registration is required, such registration duties would be either *ad valorem* (such as for instance a registration duty of 0.24% calculated on the amounts mentioned in the document so registered) or fixed (such as for instance a registration duty of €12 for a pledge).

The Luxembourg courts or the official Luxembourg authority may require that the Notes, the Indenture, the Guarantees and/or any other Finance Documents (and/or any document in connection therewith) and/or any judgment obtained in a foreign court be translated into French or German.

## Plan of Distribution

Subject to the terms and conditions set forth in the Purchase Agreement to be dated \_\_\_\_\_, 2021, the Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase the Notes from the Issuer.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by counsel.

The Initial Purchasers propose to offer the Notes initially at the prices indicated on the cover page hereof. After the initial offering of the Notes, the offering prices and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice. Sales of the Notes by the Initial Purchasers in the United States may be made through affiliates of the Initial Purchasers who are qualified broker-dealers under applicable law. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Purchase Agreement provides that the Issuer and the Notes Guarantors 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. The Issuer and the Notes Guarantors have agreed, subject to certain limited exceptions, not to offer, sell, contract to sell or otherwise dispose of, except as provided under the Purchase Agreement, any securities of, or guaranteed by, the Issuer that are substantially similar to the Notes during the period from the date of the Purchase Agreement through and including the date that is 90 days after the date of the Purchase Agreement, without the prior written consent of the representatives of the Initial Purchasers.

The Notes and the Guarantees 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 QIBs in reliance on Rule 144A and outside the United States 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 "*Transfer Restrictions*".

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area ("**EEA**"). For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

- (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 (EU) 2016/97, (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.

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the United Kingdom. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

- (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or
- (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Each Initial Purchaser has represented, warranted and agreed that it has:

- only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the

meaning of section 21 of the FSMA) received by it in connection with the issuance or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Notes Guarantors; and

- complied and will comply with all applicable provisions of the FSMA with respect to anything done by them in relation to the Notes in, from or otherwise involving the United Kingdom.

The Notes may not be, directly or indirectly, offered or sold in France (other than to qualified investors (*investisseurs qualifiés*) as defined in, and in accordance with, Article 2(e) of the Prospectus Regulation and Article L.411-2 of the French *Code monétaire et financier*), and neither this Offering Memorandum nor any offering or marketing materials relating to the Notes may be made available or distributed in any way in France except to qualified investors.

No action has been taken in any jurisdiction, including the United States, France and the United Kingdom, by us or the Initial Purchasers that would permit an 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 and the Guarantees 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 Notes in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this Offering Memorandum and resale of the Notes. See "*Important Information*" and "*Notice to Investors*".

The Notes are a new issue of securities for which there currently is no market. We intend to list the Notes on the Official List of Euronext Dublin and to admit them for trading on the Global Exchange Market thereof; however, we cannot assure you that the Notes will be approved for listing or that such listing will be maintained.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you.

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the Issue Date, which will be \_\_\_\_\_ business days (as such term is used for purposes of Rule 15c6-1 of the Exchange Act) following the date of pricing of the Notes (this settlement cycle is referred to as "**T+** \_\_\_\_\_"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Memorandum or the next succeeding \_\_\_\_\_ business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

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. 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.

These stabilizing transactions and covering transactions 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 is made and, if



commenced, may be discontinued at any time at the sole discretion of the Stabilizing Manager. If these activities are commenced, they must end no later than the earlier of 30 days after the Issue Date 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, real estate assets valuation, financing and brokerage activities. The Initial Purchasers or their respective affiliates from time to time have provided, and may in the future provide, commercial lending, investment banking, hedging, consulting and financial advisory services to the Issuer, the Note Guarantors and their respective subsidiaries and affiliates for which they have received, and in the future may receive, customary fees and expenses. In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its respective affiliates. Certain of the Initial Purchasers or their affiliates have a lending relationship with us and may hedge their credit exposure to us consistent with their customary risk management policies. Typically, the Initial Purchasers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. Moreover, the Initial Purchasers and their affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long or short positions in such securities and instruments. The Initial Purchasers or their respective affiliates may also receive allocations of the Notes. Affiliates of certain of the Initial Purchasers are among the mandated lead arrangers and/or lenders under the New Revolving Credit Facility Agreement.

Any offer or sale in the United States will be made by affiliates of the Initial Purchasers who are broker-dealers registered under the U.S. Securities Exchange Act of 1934, as amended. To the extent that any Initial Purchaser intends to effect any sales of the Notes in the United States, it will do so through one or more U.S. registered broker-dealers as permitted by FINRA regulations.

## Transfer Restrictions

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes and the Guarantees have not been and will not be registered under the Securities Act, or any state securities laws, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Notes offered hereby are being offered and sold only to "qualified institutional buyers" (as defined in Rule 144A) ("**QIBs**") in reliance on Rule 144A under the Securities Act and in offshore transactions outside the United States in reliance on Regulation S under the Securities Act. The Notes may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, we are offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

- in the United States to QIBs in compliance with Rule 144A; and
- outside the United States in offshore transactions in reliance on Regulation S.

We use the terms "offshore transaction" and "United States" with the meanings given to them in Regulation S.

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the Initial Purchasers as follows:

- (1) You understand and acknowledge that the Notes and the Guarantees have not been and will not be registered under the Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A under the Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (7) and (8) below.
- (2) You are not our "affiliate" (as defined in Rule 144 under the Securities Act) or acting on our behalf and that either:
  - (a) you are a QIB (within the meaning of Rule 144A under the Securities Act) and are aware that any sale of these Notes to you will be made in reliance on Rule 144A under the Securities Act, and such acquisition will be for your own account or for the account of another QIB; or
  - (b) purchasing the Notes in an offshore transaction in accordance with Regulation S under the Securities Act.
- (3) You represent that you are not a "retail investor" in the European Economic Area ("**EEA**"). For the purposes of this paragraph, the expression "retail investor" means a person who is one (or more) of the following:
  - (i) a "retail client" as defined in point (11) of Article 4(1) of MiFID II; or
  - (ii) a customer within the meaning of 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.
- (4) You represent that you are not a "retail investor" in the United Kingdom ("**UK**"). For the purposes of this paragraph, the expression "retail investor" means a person who is one (or more) of the following:
  - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or
  - (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify

as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

- (5) You understand and acknowledge that:
- (i) the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any "retail investor" (as defined in paragraph 3 above) in the EEA or any "retail investor" (as defined in paragraph 4 above) in the UK; and
  - (ii) consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended the "**EU 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 or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation; and
  - (iii) consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.
- (6) You acknowledge that none of the Issuer, the Guarantors, or the Initial Purchasers, nor any person representing any of them, has made any representation to you with respect to the Issuer, the Guarantors or their subsidiaries or the offer or sale of any of the Notes, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers.
- (7) You are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any state securities laws, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the Securities Act.
- (8) You agree on your own behalf and on behalf of any investor account or accounts for which you are purchasing Rule 144A Notes, and each subsequent holder of Rule 144A Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Rule 144A Notes only (i) to us, (ii) pursuant to a registration statement that has been declared effective under the Securities Act, (iii) for so long as the Notes are eligible pursuant to Rule 144A under the Securities Act, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act or (v) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to our and the relevant Trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing in the Indentures is completed and delivered by the transferor to the relevant Trustee.

Each purchaser acknowledges that each Rule 144A Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "US SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE US SECURITIES ACT ("RULE 144A")) OR (B) IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION (BOTH WITHIN THE MEANING OF REGULATIONS UNDER THE US SECURITIES ACT), (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE US SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATIONS UNDER THE US SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

The following legend shall also be included, if applicable:

THE FOLLOWING INFORMATION IS SUPPLIED SOLELY FOR U.S. FEDERAL INCOME TAX PURPOSES. THIS NOTE WAS ISSUED WITH ORIGINAL ISSUE DISCOUNT ("**OID**") WITHIN THE MEANING OF SECTION 1273 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), AND THIS LEGEND IS REQUIRED BY SECTION 1275(C) OF THE CODE. HOLDERS MAY OBTAIN INFORMATION REGARDING THE AMOUNT OF OID, THE ISSUE PRICE, THE ISSUE DATE AND THE YIELD TO MATURITY RELATING TO THE NOTES BY CONTACTING THE ISSUER AT 11 RUE D'ARGENSON 75008 PARIS, FRANCE, ATTENTION: INVESTOR RELATIONS.

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 Registrar will not be required to accept for registration or transfer any Notes acquired by you except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth therein have been complied with.
- (3) You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations, warranties and agreements and agree that if any of the acknowledgements, representations, warranties and agreements deemed to have been

made by your purchase of the Notes is no longer accurate, you shall promptly notify us and the Initial Purchasers. If you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such investor account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

- (4) You understand that no action has been taken in any jurisdiction (including the United States) by us or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "*Plan of Distribution*".

### **Legal Matters**

Certain legal matters in connection with the Offering will be passed upon for us by Latham & Watkins AARPI as to matters of French law and by Latham & Watkins (London) LLP as to matters of U.S. federal, New York state and English law. Certain legal matters in connection with the Offering will be passed upon for the Initial Purchasers by Cravath, Swaine & Moore LLP as to matters of U.S. federal and New York state law and Clifford Chance Europe LLP as to matters of English law and French law.

### Independent Auditors

The consolidated financial statements of the Issuer as of and for the fiscal years ended July 31, 2018 appearing in this Offering Memorandum have been prepared in accordance with IFRS and have been audited by Ernst & Young et Autres and Constantin Associés (member of Deloitte Touche Tohmatsu Limited), as stated in the free English translation of their report, which is included elsewhere in this Offering Memorandum.

The consolidated financial statements of the Issuer as of and for the fiscal years ended July 31, 2019 and 2020 appearing in this Offering Memorandum have been prepared in accordance with IFRS and have been audited by Ernst & Young et Autres and Deloitte & Associés, as stated in the free English translation of their reports, which are included elsewhere in this Offering Memorandum. For the consolidated financial statements of the Issuer for the fiscal years ended July 31, 2018, 2019 and 2020, an English translation of the consolidated financial statements and a free English translation of the auditors' reports are included elsewhere in this Offering Memorandum. The unaudited interim condensed consolidated financial statements of the Issuer as of and for the six months ended January 31, 2021, which include the unaudited comparative financial information for the six months ended January 31, 2020, appearing in this Offering Memorandum have been prepared in accordance with IAS 34, the standard of IFRS as adopted by the European Union applicable to interim financial statements and have been subject to a limited review by Ernst & Young et Autres and Deloitte & Associés, as stated in their report, which is included elsewhere in this Offering Memorandum.

The statutory auditors' report of Constantin Associés (member of Deloitte Touche Tohmatsu Limited) and Ernst & Young et Autres on the audited consolidated financial statements for the fiscal year ended July 31, 2018, without modifying the audit opinion expressed therein, contains an emphasis of matter relating to Note 3.1 to the consolidated financial statements relating to the impact of the revenue recognition standard, IFRS 15, "Revenue from contracts with customers", adopted early by the Issuer as of August 1, 2017. The statutory auditors' report of Ernst & Young et Autres and Deloitte & Associés on the audited consolidated financial statements for the fiscal year ended July 31, 2019, without modifying the audit opinion expressed therein, contains an emphasis of matter drawing attention to the uncertainty related to the tax adjustments received from the tax authorities concerning tax loss carryforwards described in note 6.6.3 "Notifications, lawsuits and disputes" to the consolidated financial statements. The statutory auditors' report of Ernst & Young et Autres and Deloitte & Associés on the audited consolidated financial statements for the fiscal year ended July 31, 2020, without modifying the audit opinion expressed therein, contains emphases of matter drawing attention to the matters disclosed in note 4.1.1 "standards, amendments and interpretations as of August 1, 2019" to the consolidated financial statements relating the impact of the mandatory implementation of IFRS 16 "Leases" by August 1, 2019 and note 6.6.3 "Notification, lawsuits and disputes" to the consolidated financial statements which present the uncertainty related to the tax adjustments received from the tax authorities concerning tax loss carryforwards. The review report of Ernst & Young et Autres and Deloitte & Associés on the unaudited interim condensed consolidated financial statements for the six months ended January 31, 2021, without modifying the conclusion expressed therein, contains an emphasis of matter drawing attention to the matter disclosed in note 6.3.2, which describes lawsuits, disputes and related uncertainties.

Ernst & Young et Autres, Constantin Associés (member of Deloitte Touche Tohmatsu Limited) and Deloitte & Associés are members of the *Compagnie régionale des commissaires aux comptes de Versailles et du Centre*.

## Service of Process and Enforcement of Civil Liabilities

### France

The Issuer and the Guarantors are organized under the laws of France with its registered offices or principal places of business in France (the "**French Entities**"). The directors, officers and other executives of the French Entities are neither residents nor citizens of the United States (the "**French Individuals**"). Furthermore, most of the assets of the French Entities or the French Individuals are located outside the United States. As a result, it may not be possible for investors to effect service of process upon such persons and entities, or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws within the United States. However, it may be possible for investors to effect service of process within France upon those persons or entities, provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

The following is a summary of certain legal aspects of French law regarding the enforcement of civil law claims connected with the Notes against French Entities and/or French Individuals.

The United States and France are not parties to a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. Accordingly, a judgment rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws, would not directly be recognized or enforceable in France.

A party in whose favor such judgment was rendered could initiate enforcement proceedings (*exequatur*) in France before the relevant civil court (*Tribunal Judiciaire*) that has exclusive jurisdiction over such matter.

Enforcement in France of such U.S. judgment could be obtained following proper (i.e., *non ex parte*) proceedings if such U.S. judgment is enforceable in the United States and if the French civil court is satisfied that the following conditions have been met (which conditions, under prevailing French case law, do not include a review by the French civil court of the merits of the foreign judgment):

- such U.S. judgment was rendered by a court having jurisdiction over the matter because the dispute is clearly connected to the jurisdiction of such court (i.e., there was no international forum shopping), the choice of the U.S. court was not fraudulent and the French courts did not have exclusive jurisdiction over the matter;
- such U.S. judgment does not contravene French international public policy rules, both pertaining to the merits and to the procedure of the case, including fair trial rights; and
- such U.S. judgment is not tainted with fraud under French law.

In addition to these conditions, it is well established that only final and binding foreign judicial decisions (i.e. those having a *res judicata* effect) can benefit from an *exequatur* under French law, that such U.S. judgment should not conflict with a French judgment or a foreign judgment that has become effective in France, and there is no proceedings pending before French courts at the time enforcement of the U.S. judgment is sought and having the same or similar subject matter as such U.S. judgment.

If the French civil court is satisfied that such conditions are met, the U.S. judgment will benefit from the *res judicata* effect as of the date of the decision of the French civil court and will thus be declared enforceable in France. However, the decision granting the *exequatur* is subject to appeal.

In addition, the discovery process under actions filed in the United States could be adversely affected under certain circumstances by French law No. 68-678 of July 26, 1968, as modified by French law No. 80-538 of July 16, 1980 and French Ordinance No. 2000-916 of September 19, 2000 (relating to the communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), which could prohibit or restrict obtaining evidence in France or from French persons in connection with a judicial or administrative U.S. action. Pursuant to the regulations above, the U.S. authorities would have to comply with international (the 1970 Hague Convention on the Taking of Evidence Abroad) or French procedural rules to obtain evidence in France or from French persons.

Similarly, French data protection rules (law No. 78 17 of January 6, 1978 on data processing, data files and individual liberties, as modified) can limit under certain circumstances the possibility of obtaining



information in France or from French persons in connection with a judicial or administrative U.S. action in a discovery context.

Furthermore, if an original action is brought in France, French courts may refuse to apply foreign law designated by the applicable French rules of conflict (including the law chosen by the parties to govern their contract) if the application of such law (in the case at hand) is deemed to contravene (i) French international public policy or (ii) overriding mandatory rules (as determined on a case by case basis by French courts). Furthermore, in an action brought in France on the basis of U.S. federal or state securities laws, French courts may not have the requisite power to grant all the remedies sought.

Pursuant to Article 14 of the French Civil Code, a French national (either a company or an individual) can sue a foreign defendant before French courts in connection with the performance of obligations contracted by the foreign defendant in France with a French person or in a foreign country with French Individuals. Pursuant to Article 15 of the French Civil Code, a French national can be sued by a foreign claimant before French courts in connection with the performance of obligations contracted by the French national in a foreign country with the foreign claimant (Article 15). For a long time, case law has interpreted these provisions as meaning that a French national, either claimant or defendant, could not be forced against its will to appear before a jurisdiction other than French courts. However, according to case law, the French courts' jurisdiction over French nationals is not mandatory to the extent an action has been commenced before a court in a jurisdiction that has sufficient contacts with the dispute and the choice of jurisdiction is not fraudulent. In addition, a French national may waive its rights to benefit from the provisions of Articles 14 and 15 of the French Civil Code, including by way of conduct by voluntarily appearing before the foreign court.

It must be noted that under Regulation (EU) No. 1215/2012 of the European Parliament and of the Council of December 12, 2012, as regards legal actions falling within the scope of said Regulation, the privileges granted to French nationals pursuant to Articles 14 and 15 of the French Civil Code may not be invoked against a person domiciled in an EU Member State. Conversely, pursuant to Article 6.2 of Regulation (EU) No. 1215/2012, the privilege granted by Article 14 of the French Civil Code may be invoked by a claimant domiciled in France, regardless of the claimant's nationality, to sue before French courts a defendant domiciled outside the EU.

The French Supreme Court (*Cour de cassation*) has recently held that a contractual provision submitting one party to the exclusive jurisdiction of a court and giving another party the discretionary option to choose any competent jurisdiction was invalid. Accordingly, any provisions to the same effect in any relevant documents would not be binding on the party submitted to the exclusive jurisdiction of the court or prevent a French party from bringing an action before the French courts.

## **Luxembourg**

The Luxembourg Guarantor is organized under the laws of the Grand Duchy of Luxembourg. Most of the Luxembourg Guarantor's assets are located outside the United States. Furthermore none of the Luxembourg Guarantor's directors resides in the United States.

As a result, investors may find it difficult to effect service of process within the United States upon the Luxembourg Guarantor or these persons or to enforce outside the United States judgments obtained against the Luxembourg Guarantor or these persons in U.S. courts, including judgments in actions predicated upon the civil liability provisions of the U.S. federal or state securities laws. Likewise, it may also be difficult for an investor to enforce in U.S. courts judgments obtained against us or these persons in courts located in jurisdictions outside the United States, including actions predicated upon the civil liability provisions of the U.S. federal or state securities laws. It may also be difficult for an investor to bring an original action in a Luxembourg court predicated upon the civil liability provisions of the U.S. federal or state securities laws against the Luxembourg Guarantor or these persons. It may be possible for investors to effect service of process within Luxembourg upon the Luxembourg Guarantor provided that the relevant provisions of The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 are complied with.

As there is currently no treaty in force governing the reciprocal recognition and enforcement of judgments in civil and commercial matters between the United States and the Grand Duchy of Luxembourg, courts in Luxembourg will not automatically recognize and enforce a final judgment rendered by a U.S. court.

A valid final, non-appealable and conclusive judgment against an issuer incorporated in Luxembourg with respect to the notes obtained from a court of competent jurisdiction in the United States remains

in full force and effect after all appeals as may be taken in the relevant state or federal jurisdiction with respect thereto have been taken, may be entered and enforced through a court of competent jurisdiction of Luxembourg, subject to compliance with the enforcement procedures (*exequatur*) set out in Article 678 *et seq.* of the Luxembourg New Code of Civil Procedure (*Nouveau Code de Procédure Civile*) and Luxembourg case-law, being:

- the judgment of the U.S. court is enforceable (*exécutoire*) in the United States;
- the assumption of jurisdiction (*compétence*) of the U.S. court is founded according to Luxembourg private international law rules;
- the U.S. court has acted in accordance with its own procedural rules and has applied to the dispute the substantive law which would have been applied by Luxembourg courts;
- the principles of fair trial and due process have been complied with and in particular the judgment was granted following proceedings where the counterparty had the opportunity to appear, and if the counterparty appeared, to present a defense; and
- the judgment of the U.S. does not contravene Luxembourg public policy and has not been obtained fraudulently

If an original action is brought in Luxembourg, without prejudice to specific conflict of law rules, Luxembourg courts may refuse to apply the designated law (i) if the choice of such foreign law was not made *bona fide* and/or (ii) if the foreign law was not pleaded and proved and/or (iii) if pleaded and proved, such foreign law was contrary to mandatory Luxembourg laws or incompatible with Luxembourg public policy rules.

In an action brought in Luxembourg on the basis of U.S. federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought. Also, an *exequatur* may be refused in respect of punitive damages.

In practice, Luxembourg courts tend not to review the merits of a foreign judgment, although there is no clear statutory prohibition of such review.

Further, in the event of any proceedings being brought in a Luxembourg court in respect of a monetary obligation expressed to be payable in a currency other than Euro, a Luxembourg court would have power to give a judgment expressed as an order to pay a currency other than Euro. However, enforcement of the judgment against any party in Luxembourg would be available only in Euro and for such purposes all claims or debts would be converted into Euro.

## Listing and General Information

### Listing

Application will be made for the Notes to be admitted to listing on the Official List of Euronext Dublin and to admit them for trading on the Global Exchange Market thereof, in accordance with the rules and regulations of that exchange. Our organizational documents will be deposited at the registered office of the Issuer, located at 11 rue d'Argenson 75008 Paris, France (the "**registered office of the Issuer**"), where such documents may be examined and copies obtained. They may be inspected by any interested person at the registered office of the Issuer.

So long as the Notes are listed on the Official List of Euronext Dublin and are admitted to trading on the Global Exchange Market of that exchange and the rules and regulations of Euronext Dublin so require, the Issuer will publish or make available any notices (including financial notices) to the public in written form at places indicated by announcements to be published in a leading newspaper having a general circulation in Ireland (which is expected to be *The Irish Times*) or on the website of Euronext Dublin (<https://www.euronext.com/en/euronextdublin>) or by any other means considered equivalent by Euronext Dublin.

For so long as the Notes are listed on the Global Exchange Market and the rules of that exchange so require, copies of the following documents may be inspected and obtained free of charge at the registered office of the Issuer during normal business hours on any weekday (public holidays excluded):

- the organizational documents of the Issuer;
- the consolidated financial statements included in this Offering Memorandum;
- our most recent audited consolidated financial statements, and any interim condensed consolidated financial statements published by the Issuer;
- the forms of the Notes;
- the Indentures governing the Notes; and
- the Security Documents.

The Issuer has named Elavon Financial Services DAC as Paying Agent, Transfer Agent, Calculation Agent and Registrar; U.S. Bank Trustees Limited as Security Agent and Trustee; and Walkers Listing Services Ltd. as Listing Agent, for each series of Notes, as applicable. The Issuer reserves the right to vary such appointments in accordance with the terms of the Indentures and, if so required by the internal rules and regulations of Euronext Dublin, will publish a notice of such change of appointment in a newspaper having general circulation in Ireland (which is expected to be *The Irish Times*) or on the official website of Euronext Dublin (<https://www.euronext.com/en/euronextdublin>) or by any other means considered equivalent by Euronext Dublin.

It is expected that the total expenses relating to the application for admission of the Notes to the Official List of Euronext Dublin and for admission of the Notes to trading on its Global Exchange Market will be approximately €5,000 (excluding VAT and disbursements).

Application may be made to Euronext Dublin to have the Notes removed from listing on the Global Exchange Market, including if necessary to avoid any new withholding taxes in connection with the listing.

### Litigation

Except as disclosed elsewhere in this Offering Memorandum, there has been no material adverse change in the Issuer's financial position since January 31, 2021 (being the last day of the period in respect of which the Issuer published its latest unaudited interim condensed consolidated financial statements) and we are not involved and have not been involved during the 12 months preceding the date of this Offering Memorandum, in any litigation, arbitration or administrative proceedings which would, individually or in the aggregate, have a material adverse effect on our results of operations, condition (financial or other) or general affairs and, so far as we are aware, having made all reasonable inquiries, there are no such litigation, arbitration or administrative proceedings pending or threatened.

### No material adverse change

Except as disclosed in this Offering Memorandum, there has been no material adverse change in the Issuer's consolidated financial and trading position since January 31, 2021 (being the last day of the

period in respect of which the Issuer published its latest unaudited interim condensed consolidated financial statements).

### **Clearing information**

The Senior Secured Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Clearstream and Euroclear under common codes \_\_\_\_\_ and \_\_\_\_\_, respectively. The international securities identification number ("ISIN") for the Senior Secured Notes sold pursuant to Regulation S is XS \_\_\_\_\_ and the ISIN for the Senior Secured Notes sold pursuant to Rule 144A is XS \_\_\_\_\_.

The Senior Subordinated Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Clearstream and Euroclear under common codes \_\_\_\_\_ and \_\_\_\_\_, respectively. The international securities identification number ("ISIN") for the Senior Subordinated Notes sold pursuant to Regulation S is XS \_\_\_\_\_ and the ISIN for the Senior Subordinated Notes sold pursuant to Rule 144A is XS \_\_\_\_\_.

### **Legal information**

#### **Issuer**

Afflelou is a simplified joint stock company (*société par actions simplifiée*). It is incorporated under the laws of France and is registered with the commercial and companies register of Paris under number 751 095 712 R.C.S. Paris.

The LEI of the Issuer is 969500I7CS80FNB7CZ43.

#### **The Guarantors**

##### **3AB Optique Développement**

3AB Optique Développement is a simplified joint stock company with a sole shareholder (*société par actions simplifiée à associé unique*). It is incorporated under the laws of France, is a wholly-owned indirect subsidiary of the Issuer and is the issuer of the Existing Notes and is registered with the commercial and companies register of Paris under number 488 863 358 R.C.S. Paris.

##### **Alain Afflelou Franchiseur**

Alain Afflelou Franchiseur is a simplified joint stock company with a sole shareholder (*société par actions simplifiée à associé unique*). It is incorporated under the laws of France, is a wholly-owned indirect subsidiary of the Issuer and is registered with the commercial and companies register of Paris under number 304 577 794 R.C.S. Paris.

##### **Alain Afflelou International**

Alain Afflelou International is a public limited liability company (*société anonyme*). It is incorporated under the laws of Luxembourg, is a wholly-owned indirect subsidiary of the Issuer and is registered with the Luxembourg register of commerce and companies under number B58334.

##### **3ABOE**

3ABOE is a simplified joint stock company with a sole shareholder (*société par actions simplifiée à associé unique*). It is incorporated under the laws of France, is a wholly-owned indirect subsidiary of the Issuer and is registered with the commercial and companies register of Paris under number 488 935 552 R.C.S. Paris.

##### **LSFA**

Lion / Seneca France Audio is a simplified joint stock company with a sole shareholder (*société par actions simplifiée à associé unique*). It is incorporated under the laws of France, is a wholly-owned indirect subsidiary of the Issuer and is registered with the commercial and companies register of Paris under number 794 137 737 R.C.S. Paris.

##### **L'Opticien Afflelou**

L'Opticien Afflelou is a simplified joint stock company with a sole shareholder (*société par actions simplifiée à associé unique*). It is incorporated under the laws of France, is a wholly-owned indirect subsidiary of the Issuer and is registered with the commercial and companies register of Paris under number 514 266 675 R.C.S. Paris.

**Consents**

The creation and issuance of the Notes was authorized by resolutions of the shareholders of the Issuer dated April 9, 2021.

**Responsibility Statement**

The Issuer accepts responsibility for the information contained in this Offering Memorandum. The Issuer declares that the information contained in this Offering Memorandum is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of this Offering Memorandum.

## Index to the Financial Statements

### Unaudited Condensed Consolidated Interim Financial Statements of the Issuer as of and for the six months ended January 31, 2021

Statutory Auditors' Report .....	F-2
Condensed Consolidated Statement of Financial Position .....	F-4
Condensed Consolidated Income Statement .....	F-5
Condensed Consolidated Statement of Comprehensive Income .....	F-5
Condensed Consolidated Statement of Cash Flows .....	F-6
Condensed Consolidated Statement of Changes in Equity .....	F-7
Notes to the Condensed Consolidated Financial Statements .....	F-8

### English translation of Audited Consolidated Financial Statements of the Issuer as of and for the fiscal year ended July 31, 2020

Free English translation of Statutory Auditors' Report .....	F-22
Condensed Consolidated Statement of Financial Position .....	F-26
Consolidated Income Statement .....	F-27
Consolidated Statement of Comprehensive Income .....	F-28
Consolidated Statement of Cash Flows .....	F-29
Consolidated Statement of Changes in Equity .....	F-31
Notes to the Consolidated Financial Statements .....	F-32

### English translation of Audited Consolidated Financial Statements of the Issuer as of and for the fiscal year ended July 31, 2019

Free English translation of Statutory Auditors' Report .....	F-79
Condensed Consolidated Statement of Financial Position .....	F-83
Consolidated Income Statement .....	F-84
Consolidated Statement of Comprehensive Income .....	F-85
Consolidated Statement of Cash Flows .....	F-86
Consolidated Statement of Changes in Equity .....	F-87
Notes to the Consolidated Financial Statements .....	F-88

### English translation of Audited Consolidated Financial Statements of the Issuer as of and for the fiscal year ended July 31, 2018

Free English translation of Statutory Auditors' Report .....	F-133
Condensed Consolidated Statement of Financial Position .....	F-137
Consolidated Income Statement .....	F-138
Consolidated Statement of Comprehensive Income .....	F-139
Consolidated Statement of Cash Flows .....	F-140
Consolidated Statement of Changes in Equity .....	F-141
Notes to the Consolidated Financial Statements .....	F-142

DELOITTE & ASSOCIES

ERNST & YOUNG et Autres

## **Afflelou**

Period from August 1, 2020 to January 31, 2021

### **Statutory auditors' review report on the condensed interim consolidated financial statements**

**DELOITTE & ASSOCIES**

6, place de la Pyramide  
92908 Paris-La Défense cedex  
S.A.S. au capital de € 2 188 160  
572 028 041 R.C.S. Nanterre  
Commissaire aux Comptes  
Membre de la compagnie  
régionale de Versailles et du Centre

**ERNST & YOUNG et Autres**

Tour First  
TSA 14444  
92037 Paris-La Défense cedex  
S.A.S. à capital variable  
438 476 913 R.C.S. Nanterre  
Commissaire aux Comptes  
Membre de la compagnie  
régionale de Versailles et du Centre

## **Afflelou**

Period from August 1, 2020 to January 31, 2021

### **Statutory auditors' review report on the condensed interim consolidated financial statements**

To the President,

In our capacity as statutory auditors of Afflelou and in accordance with your request, we have performed a review of the condensed interim consolidated financial statements of Afflelou, the accompanying "Financial Information", for the period from August 1, 2020 to January 31, 2021.

Due to the global crisis related to the Covid-19 pandemic, the Financial Information of this period has been prepared and reviewed under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of our work.

The preparation of this Financial Information is under your responsibility. Our role is to express a conclusion on this Financial Information based on our review.

We conducted our review in accordance with professional standards applicable in France and the professional guidance issued by the French Institute of statutory auditors (Compagnie nationale des commissaires aux comptes) relating to this engagement. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Financial Information is not prepared, in all material respects, in accordance with IAS 34 - the IFRS as adopted by the European Union applicable to interim financial information.

Without modifying the conclusion expressed above, we draw your attention to note 6.3.2. which describes lawsuits and disputes and related uncertainties.

This report is governed by French law. The courts of France shall have exclusive jurisdiction over any claim or dispute resulting from our engagement letter or the present report, or any related matters. Each party irrevocably waives its right to oppose any action brought before French courts, to claim that the action is being brought before an illegitimate court or that the courts have no jurisdiction.

Paris-La Défense, April 8, 2021

The Statutory Auditors

DELOITTE & ASSOCIES

Jean Paul Séguret    Cécile Remy

ERNST & YOUNG et Autres

Benoit Schumacher



# I – Consolidated statement of financial position

(in thousands of euros)

Assets	Note	31/01/2021	31/07/2020
Goodwill	6.2.2	212 571	213 341
Trademark	6.1.1	657 065	657 065
Intangible assets		11 173	9 325
Property, plant and equipment		21 673	20 394
Right-of-use assets	6.2.3	64 098	61 136
Other financial assets		15 461	14 311
Long-term sublease receivables	6.2.3.3	15 620	16 139
Deferred tax assets		2 268	7 100
<b>Non-current assets</b>		<b>999 930</b>	<b>998 810</b>
Inventories	6.2.4	27 963	27 112
Trade receivables	6.2.5	66 146	74 279
Other current assets		75 221	86 764
Short-term sublease receivables	6.2.3.3	3 041	3 145
Cash and cash equivalent		117 386	76 893
<b>Current assets</b>		<b>289 757</b>	<b>268 192</b>
<b>Total assets</b>		<b>1 289 686</b>	<b>1 267 003</b>

Equity and liabilities	Note	31/01/2021	31/07/2020
Share capital	6.2.6	231 482	231 482
Other reserves		-13 855	-3 298
Net income for the period		2 629	-10 536
Other comprehensive income		-238	-256
<b>Total Shareholder's Equity</b>		<b>220 018</b>	<b>217 392</b>
Non-current borrowings	6.2.7	668 043	647 480
Long-term lease liabilities	6.2.9	70 641	68 026
Deferred tax liabilities		114 180	118 671
Employee benefits and similar		2 602	2 407
Non-current provisions		3 627	4 207
<b>Non-current liabilities</b>		<b>859 094</b>	<b>840 790</b>
Current borrowings	6.2.7	33 007	33 053
Short-term lease liabilities	6.2.9	15 680	15 651
Current provisions		79	112
Trade payables		55 232	54 468
Derivative financial liabilities		265	438
Tax payable		1 045	1 090
Other current liabilities		105 267	104 009
<b>Current liabilities</b>		<b>210 575</b>	<b>208 821</b>
<b>Total liabilities and equity</b>		<b>1 289 686</b>	<b>1 267 003</b>

NB: The amounts shown in the tables are expressed in thousands of euros. Rounding may in some cases result in an immaterial difference in the totals.

## II – First-half consolidated income statement

(in thousands of euros)	Note	31/01/2021 (6 months)	31/01/2020 (6 months)
Revenue	6.1.1	184 485	172 341
Cost of purchases		-92 280	-84 020
Wages and salaries including social security contributions	6.1.2	-29 301	-28 545
Other purchases and external expenses	6.1.3	-11 217	-11 926
Duties and taxes other than income tax		-1 175	-1 099
Depreciation, amortisation and impairment	6.1.5	-10 751	-10 368
<b>Operating income from ordinary activities</b>		<b>39 761</b>	<b>36 383</b>
Other non-recurring operating items	6.1.4	-3 004	137
<b>Operating profit</b>		<b>36 756</b>	<b>36 521</b>
Financial income		1 001	1 109
Borrowing costs		-31 718	-28 257
Other financial expense		-1 391	-1 593
<b>Net financial income/(expense)</b>	6.1.6	<b>-32 108</b>	<b>-28 741</b>
<b>Net income before tax of consolidated companies</b>		<b>4 648</b>	<b>7 780</b>
Tax income/(expense)	6.1.7	-2 443	-2 058
<b>Net income/(loss) from continuing operations</b>		<b>2 205</b>	<b>5 722</b>
Net result from discontinued operations		424	33
<b>Net income</b>		<b>2 629</b>	<b>5 755</b>
<b>Earnings per share (in €)</b>	<b>6.1.8</b>	<b>0,01</b>	<b>0,01</b>

NB: The amounts shown in the tables are expressed in thousands of euros. Rounding may in some cases result in an immaterial difference in the totals.

## III – First-half statement of comprehensive income

(in thousands of euros)	31/01/2021 (6 months)	31/01/2020 (6 months)
<b>Net income</b>	<b>2 629</b>	<b>5 755</b>
Exchange differences arising on the translation of foreign operations	17	-9
Fair value gains (losses) on financial instruments		25
Tax impact of fair value gains (losses) on financial instruments		-6
<b>Other comprehensive income that may subsequently be reclassified to profit or loss</b>	<b>17</b>	<b>9</b>
<b>Other comprehensive income that will not be reclassified to profit or loss</b>		
<b>Total other comprehensive income</b>	<b>17</b>	<b>9</b>
<b>Total comprehensive income</b>	<b>2 646</b>	<b>5 764</b>

NB: The amounts shown in the tables are expressed in thousands of euros. Rounding may in some cases result in an immaterial difference in the totals.

#### IV – First-half consolidated statement of cash flows

(in thousands of euros)	Note	31/01/2021 (6 months)	31/01/2020 (6 months)
<b>Operating activities:</b>			
Net income		2 629	5 755
Depreciation and amortisation and provisions		14 551	12 901
Reversal of provisions		(3 286)	(2 521)
Capital gains and losses on disposals	6.1.4	695	(120)
Tax expense/(income)	6.1.7	2 443	2 058
Financial income on finance lease receivables	6.1.6	(508)	(394)
Borrowing costs	6.1.6	31 718	28 257
<b>Cash flow before borrowing costs</b>		<b>48 243</b>	<b>45 936</b>
Change in inventories		(1 175)	(3 744)
Change in receivables		20 361	16
Change in liabilities		1 956	732
Prepaid expenses and deferred income		42	2 825
<b>Change in working capital</b>		<b>21 183</b>	<b>(171)</b>
Income tax paid		(1 283)	(2 903)
<b>Net cash from/(used in) operating activities</b>		<b>68 143</b>	<b>42 862</b>
<b>Investing activities:</b>			
Purchases of intangible assets		(4 236)	(3 224)
Purchases of property, plant & equipment		(4 452)	(2 785)
Proceeds from disposals of intangible assets and PP&E		(1 551)	2 871
Purchases of financial assets	6.2.7	(1 063)	(2 779)
Proceeds from disposals of financial assets	6.2.7	931	1 750
Payments received under sublease contracts		1 462	1 403
Interest received under sublease contracts		455	394
Purchases of subsidiaries		(478)	600
<b>Net cash from/(used in) in investing activities</b>		<b>(8 932)</b>	<b>(1 771)</b>
<b>Financing activities:</b>			
Loans	6.2.8	26	43
Repayment of borrowings	6.2.8	(201)	(633)
Repayment of lease liabilities		(7 587)	(7 843)
Interest paid on lease liabilities	6.1.7	(2 038)	(1 430)
Other financial expenses paid		(53)	(11)
Net interest paid	6.1.7	(8 852)	(8 770)
<b>Net cash from/(used in) financing activities</b>		<b>(18 705)</b>	<b>(18 645)</b>
<b>Effect of changes in exchange rates</b>		<b>(1)</b>	<b>5</b>
<b>Change in cash</b>		<b>40 505</b>	<b>22 451</b>
Cash and cash equivalents at beginning of period		76 881	35 721
Cash and cash equivalents at end of period		117 386	58 171

*NB: The amounts shown in the tables are expressed in thousands of euros. Rounding may in some cases result in an immaterial difference in the totals.*

### V – First-half statement of changes in equity

(in thousands of euros)	Number of shares	Share capital	Other reserves (1)	Net income for the year	Other compre- hensive income	Total
<b>Shareholders' equity as of 07/31/2019</b>	<b>437 325 006</b>	<b>233 532</b>	<b>-4 330</b>	<b>6 804</b>	<b>-238</b>	<b>235 767</b>
Appropriation of prior year income			6 804	-6 804		
Impact of first-time application of IFRS 16			-7 489			-7 489
Changes in share capital						
Change in scope						
Comprehensive income for the period				5 755	9	5 764
<b>Shareholders' equity as of 01/31/2020</b>	<b>437 325 006</b>	<b>233 532</b>	<b>-5 016</b>	<b>5 755</b>	<b>-229</b>	<b>234 042</b>
Impact of first-time application of IFRS 16			-132			-132
Changes in share capital	4 768 922	2 547				2 547
Change in scope	-8 607 859	-4 596	1 850			-2 746
Comprehensive income for the period				-16 291	-27	-16 318
<b>Shareholders' equity as of 07/31/2020</b>	<b>433 486 069</b>	<b>231 482</b>	<b>-3 298</b>	<b>-10 536</b>	<b>-256</b>	<b>217 392</b>
Appropriation of prior year income			-10 536	10 536		
Impact of IFRS 16			-21			-21
Changes in share capital						
Change in scope						
Comprehensive income for the period				2 629	17	2 646
<b>Shareholders' equity as of 01/31/2021</b>	<b>433 486 069</b>	<b>231 482</b>	<b>-13 855</b>	<b>2 629</b>	<b>-238</b>	<b>220 018</b>

*NB: The amounts shown in the tables are expressed in thousands of euros. Rounding may in some cases result in an immaterial difference in the totals.*

## **VI – Notes to the condensed first-half consolidated financial statements**

### **1. Overview**

#### **1.1. General information on the parent company**

The parent company, AFFLELOU, is a French joint stock company controlled by LION SENECA Lux 2, headquartered at 11 rue d'Argenson, 75008 Paris. The "Group" comprises the parent company, which wholly owns 3AB OPTICAL DEVELOPMENT ("3ABOD") and its subsidiaries.

#### **1.2. General information on the group**

The Group is a leader in the market for the distribution of optical products in France and Spain, and a major player in the European markets of Belgium and Switzerland. The Group also operates in various countries in Africa, Asia and America. The Group's core business is the sale of optical and audio products through a network of franchises and directly owned stores operating under the "ALAIN AFFLELOU", "ALAIN AFFLELOU ACOUSTICIEN" and "OPTICAL DISCOUNT" banners.

The Group has based its expansion strategy on the franchise network. This model is based on revenue generated by sales in franchise networks (mainly franchise fees and communication fees) and through their purchases, through services provided to the suppliers of the various brands, and through direct sales of products to franchisees, notably branded company products.

The Group owns a network of stores so as to (i) retain control over flagship stores located in strategic areas and key geographies, (ii) test new business initiatives and identify best practices before applying them to the franchisees, and (iii) manage the overall store network by temporarily piggy-backing stores that are at the end of a franchise agreement or experiencing difficulties, thereby keeping them within the Group for subsequent transfer to new franchisees.

Lastly, the Group derives part of its revenue from the e-commerce channel, notably with the afflelou.com, malentille.com and opticaldiscount.com websites.

#### **1.3. Context of the publication**

The condensed first-half consolidated financial statements for the six months on 31<sup>st</sup> January 2021 have been prepared within the framework of a contemplated financing of its shareholders. These condensed first-half consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union as of 1<sup>st</sup> August 2020. The rules applied in preparing these financial statements are described in Note 3 "Accounting policies". These condensed first-half consolidated financial statements for the six months on 31<sup>st</sup> January 2021 were approved by the Chairman of AFFLELOU on 8<sup>th</sup> April 2021.

The condensed first-half consolidated financial statements are presented in thousands of euros, unless otherwise stated. The following tables contain data items that have been rounded up or down on an individual basis. Arithmetic calculations based on rounded items may show discrepancies with the aggregates or subtotals displayed herein.

### **2. Highlights**

#### **2.1. COVID-19 epidemic**

In late calendar year 2019, a new strain of coronavirus was detected in Wuhan, China before spreading to Europe, and notably our two main countries, France and Spain. In March 2020, the World Health Organization declared COVID 19 a global pandemic and governmental authorities around the world implemented measures to reduce the spread of COVID 19. These measures have adversely affected

workforces, consumer sentiment, economies and financial markets, and, along with decreased consumer spending and widespread uncertainty following months of lockdowns, have led to an economic downturn in our markets and have had a direct impact on our business across all of the countries in which we operate. From mid-March to mid-May 2020, the governments of the countries in which we operate imposed lockdown measures and, in doing so, required the temporary closure of materially all of our stores and, as a result, almost all our revenues ceased until the phased reopening of our stores after May 11<sup>th</sup>, 2020.

During the first phase of the pandemic, our efforts were primarily focused on supporting and advising our franchisees (such as temporary layoffs, negotiations with landlords and tax arrangements), and assisting them with temporary financing. We partially deferred maturities of our franchisees in a total amount of more than €30 million from March to May 2020, with a twelve-month repayment schedule. The outstanding amount of this support was €25 million as of 31<sup>st</sup> July 2020 and €12.6 million as of 31<sup>st</sup> January 2021. At Group level, government measures including temporary layoffs and optimization of our expenses helped limit the pandemic's financial impact. As a precautionary measure, the Group approached its banking partners to arrange a €30 million French government-backed (*prêt garanti par l'état* or "PGE") loan, which was obtained in July 2020.

After a lull in the pandemic during the summer of 2020, during which we observed a strong rebound of network sales, a "second wave" has been underway since mid-September 2020, with an acceleration in October 2020. In response to this resurgence, governments and local administrations have adopted new responsive measures and put in place a curfew in October 2020 in our main geographical areas and subsequently adopted a second period of confinement from early November to early December 2020. In France, due to the persistence of a large number of new infections, the appearance of coronavirus variants and ongoing pressure on the health system, combined with a slow rollout of vaccinations, the Government made the decision to put in place a new curfew that begins at 18:00 every day, which has been in effect since mid-January 2021. Finally, since January 31, 2021, the French Government enforced closures of shopping centers of 20,000 sqm and more. This measure was expanded at the beginning of March to cover shopping centers of 10,000 sqm and more, together with more stringent local confinement measures in areas where the pandemic could put a strong pressure on the health system. In Spain, the restrictions were locally adapted to the spread of the pandemic, and generally were softer than in France, in recent months.

In France, due to the persistence of a large number of new infections in the population, the appearance of coronavirus variants and ongoing pressure on the health system, combined with a slow rollout of vaccinations, the Government made the decision to put in place a new night time curfew that begins at 18:00 every day (19:00 from March 20), in effect since mid-January 2021. In addition, the French Government enforced closures of shopping centers of over 20,000 square meters nationwide since January 31, 2021 and of shopping centers of over 10,000 square meters in selected regions since March 6, 2021. For the month of February 2021, the first wave of closures in French shopping centers impacted 130 stores, of which 119 of our Alain Afflelou optical stores. A new confinement, which commenced on March 20, 2021 across 16 French departments is planned to last four weeks, and will allow, as in November, essential businesses, including ours, to remain open, apart from those in shopping centers already closed. Meanwhile, as of March 20, 2021, the curfew was reduced by one hour, beginning at 19:00, instead of 18:00. The new restrictive measures in smaller shopping centers increased the number of our stores which must be closed by c.35 stores to approximately 165, (of which c.150 Alain Afflelou optical stores). On March 31, the President made an announcement of extension of restriction measures all over the country. Optical and hearing aid stores are still considered essential businesses, so that this recent announcement won't sharply impact the current situation unless a strong change in the number of stores closed in shopping centers is decided. In Spain, consumer activities generally are subject to lighter restrictions as compared to France.

At the same time, the Group continues to support its franchisees, as it has done since the beginning of the pandemic. The recent restrictive measures also had an impact on our directly owned stores, to a greater degree than the rest of our network, as our directly-owned stores are often located in the types shopping centers that are currently required to be closed. The Group reacted rapidly, implementing temporary layoffs in the closed stores.

## **2.2. Change of the President**

---

On December 22nd, 2020, the Group announce the appointment of Mr. Tarek Hosni as Chief Executive Officer, replacing Mr. Didier Pascual. This appointment allows the company to chart a new course to in its

development. Tarek Hosni, 63, a specialist in business transformation, brings 35 years of experience in change management to the Group. He was previously Managing Director of C&A France, with the mission of implementing European strategy.

### **2.3. Network evolution**

---

The Group had 1 342 optical stores and 93 audio stores (excluding 277 corners inside optical stores) as of 31st January 2021, breaking down as 958 stores in France, 336 in Spain and 141 in other countries. The portfolio of directly owned stores, located mainly in France and Spain, represented 159 optical stores and 1 audio store (excluding 26 corners inside optical stores) stores as of 31st January 2021.

## **3. Accounting policies**

---

### **3.1. Standards and rules applied**

---

In accordance with European regulation EC n ° 1606/2002 of July 19, 2002 on international accounting standards, the Group's consolidated financial statements have been prepared according to the principles defined by the IASB (International Accounting Standards Board), as adopted by the European Union. These standards are available on the website of the European Commission:

<http://eur-lex.europa.eu/legal-content/FR/TXT/?uri=CELEX%3A02008R1126-20160101>

The international standards include IFRS (International Financial Reporting Standards), IAS (International Accounting Standards), as well as their interpretations SIC (Standing Interpretations Committee) and IFRIC (International Financial Reporting Interpretations Committee).

The condensed half year consolidated financial statements for the six months on 31st January 2021 were prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union, which permits the presentation of a selection of explanatory notes.

Those statements do not take into account the draft standards and interpretations that were still at exposure draft stage with the IASB (International Accounting Standards Board) and the IFRIC as of the balance sheet date, or standards whose application is not mandatory at 31<sup>st</sup> January 2021.

The accompanying notes do not contain all the information required for the complete annual consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements for the year ended 31<sup>st</sup> July 2020.

The condensed half year consolidated financial statements were prepared in accordance with the accounting policies and methods applied by the Company in preparing its consolidated financial statements for the year ended 31<sup>st</sup> July 2020, with the exception of income taxes and employee benefits, which are subject to specific evaluation methods (see Note 3.2).

#### **3.1.1. Key standards, amendments and interpretations adopted by the European Union, and effective for reporting periods beginning on or after August 1<sup>st</sup>, 2020**

- Amendments to IFRS 3 Business Combinations
- Amendments to IFRS 9, IAS 39 and IFRS 17 : Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8 : Definition of Material
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendment to IFRS 16 Leases Covid-19 Related Rent Concessions

These standards, amendments to standards or interpretations do not have a material impact on the Group's consolidated financial statements as of January 31<sup>st</sup>, 2021.

#### **3.1.2. Key standards, amendments and interpretations published by the IASB but not adopted by the European Union or not yet applicable**



- IFRS 17 Insurance Contracts
- Amendments to IFRS 4 Extension of the Temporary Exemption from Applying IFRS 9
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current —Deferral of Effective Date
- Amendments to IFRS 3 Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform, phase 2
- Annual Improvements to IFRS Standards 2018–2020

## 3.2. Specific estimations used for the preparation of interim financial statements

### 3.2.1. Income tax

The tax expense for the period (current and deferred) is determined on the basis of the estimated effective tax rate for the current fiscal year for each tax entity and sub-group.

### 3.2.2. Employee benefits

The first-half expense related to post-employment benefits is equal to two-quarter of the net cost calculated for the year ended 31 July 2021. Pursuant to the requirements of IAS 19 and IAS 34, the net post-employment benefit obligation stated in the interim financial statements takes into account significant changes in market conditions. There were no significant changes in market conditions during the first-half of the year ended 31<sup>st</sup> July 2021.

### 3.2.3. Seasonal pattern of revenue

Income from ordinary activities, operating income and all operating indicators are characterized by a low level of seasonality attributable to the recurrence of business throughout the year.

## 4. Use of estimates and assumptions

The preparation of financial statements requires the use of estimates and assumptions to determine the value of assets and liabilities, assessment of positive and negative contingencies at the closing date, as well as income and charges for the period. The significant estimates made by the Group in the preparation of the financial statements concern the recoverable amount of goodwill and intangible assets (including trademarks), the measurement of provisions and asset impairment, and the assumptions used for the measurement of debt in accordance with IFRS 16. Due to uncertainties inherent in any valuation process, the Group revises its estimates on the basis of regularly updated information. It is possible that future results could differ from such estimates. The main assumptions and estimates made by the Group are described in specific sections of the notes to the financial statements, and in particular in the following notes:

Note	Estimate	Nature of estimate
Notes 4.7 and 6.2.3.3 and 6.2.4.2 to the financial statement as of 31 July 2020	Impairment testing of goodwill, intangible assets, and property, plant and equipment	At the level of individual CGUs Key assumptions used to determine value in use (discount rate, perpetual growth rate, projected cash flows)
Notes 4.12 to the financial statement as of 31 July 2020	Inventories	Prospective inventory turnover rate used to calculate impairment
Note 4.1.1 to the financial statement as of 31 July 2020	IFRS 16	Main assumptions used to determine lease liabilities
Notes 4.18.2 and 6.1.8.4 to the financial statement as of 31 July 2020	Deferred tax	Assumptions used for the recognition of deferred tax assets relating to tax loss carryforwards and temporary differences
Notes 6.3.2 to the financial statement as of 31 <sup>st</sup> January 2021	Notifications, lawsuits and disputes	Valuation of provisions and liabilities relating to corporate income tax



The accounting estimates contributing to the presentation of the financial statements as of January 31<sup>st</sup>, 2021 were carried out in the context of the “COVID-19 crisis” resulting in a climate of uncertainty about the economic and financial perspectives. As a result, the Group took into account the reliable information available at the date of preparation of the consolidated financial statements.

## 5. Segment information

The information relating to the operating segments presented herein adheres to the same accounting rules used for the consolidated financial statements for the year ended 31<sup>st</sup> July 2020 and described in the notes to the financial statements.

Information on the Group’s various activities and services and on the recognition of revenue is presented in the 2020 consolidated financial statements (see Notes 1.2 and 4.20). The breakdown of revenue by activity is presented in Note 6.1.1.

(in thousands of euros)	31/01/2021 (6 months)	31/01/2020 (6 months)
France	140 301	127 484
Spain	36 560	37 887
Other countries	7 624	6 971
<b>Revenue</b>	<b>184 485</b>	<b>172 341</b>
France	42 102	37 320
Spain	8 647	9 109
Other countries	1 676	1 262
<b>Adjusted EBITDA</b>	<b>52 424</b>	<b>47 692</b>
France	-7 636	-7 276
Spain	-3 014	-2 730
Other countries	-101	-361
<b>Depreciation, amortisation and impairment</b>	<b>-10 751</b>	<b>-10 368</b>
France	34 084	29 655
Spain	5 633	6 379
Other countries	1 575	902
<b>Adjusted EBIT</b>	<b>41 292</b>	<b>36 936</b>

(in thousands of euros)	31/01/2021	31/07/2020
France	818 512	816 620
Spain	128 895	126 034
Other countries	19 173	18 607
<b>PP&amp;E and intangible assets</b>	<b>966 580</b>	<b>961 260</b>

### Reconciliation of adjusted EBIT and adjusted EBITDA with operating income from ordinary activities

Adjusted EBIT is defined as operating income from ordinary activities as presented in the Group’s consolidated financial statements before the impact of shareholders’ management fees and management bonuses.

Adjusted EBITDA is defined as operating income from ordinary activities as presented in the Group’s consolidated financial statements, less depreciation and amortisation of property, plant and equipment and intangible assets, changes in provisions for trade receivables and inventories, and shareholders’ management fees and management bonuses.

They are calculated as follows:

(in thousands of euros)	31/01/2021 (6 months)	31/01/2020 (6 months)
Operating income from ordinary activities	39 761	36 383
Shareholders' management fees	611	553
Management bonus	920	
<b>Adjusted EBIT</b>	<b>41 292</b>	<b>36 936</b>
Amortisation of intangible assets	2 208	1 434
Depreciation of property, plant and equipment	3 070	2 783
Provisions for depreciation of right-of-use assets on PP&E (IFRS 16)	6 395	6 381
Change in customer provisions and inventories	-540	158
<b>Adjusted EBITDA</b>	<b>52 424</b>	<b>47 692</b>

## 6. Notes to the condensed first-half consolidated financial statements

### 6.1. Notes to the income statement

#### 6.1.1. Revenue

(in thousands of euros)	31/01/2021 (6 mois)	31/01/2020 (6 mois)
Network sales revenue	45 386	46 194
Network purchases revenue	87 463	73 204
Revenue from directly owned stores	51 635	52 944
<b>Consolidated revenue</b>	<b>184 485</b>	<b>172 341</b>

#### 6.1.2. Wages and salaries including social security contributions

(in thousands of euros)	31/01/2021 (6 months)	31/01/2020 (6 months)
Wages	-20 125	-19 904
Social security contributions	-8 034	-7 807
Research tax credit	-169	
Employee profit sharing	-973	-835
<b>Wages and salaries including social security contributions</b>	<b>-29 301</b>	<b>-28 545</b>

#### 6.1.3. Other purchases and external expenses

(in thousands of euros)	31/01/2021 (6 months)	31/01/2020 (6 months)
Rental fees and related costs	-305	-994
Outsourcing, fees and miscellaneous services	-6 424	-6 218
Maintenance and repair expenses	-1 322	-1 547
Other purchases	-3 167	-3 168
<b>Other purchases and external expenses</b>	<b>-11 217</b>	<b>-11 926</b>

#### 6.1.4. Other non-recurring operating items

(in thousands of euros)	31/01/2021 (6 months)	31/01/2020 (6 months)
Capital gains/(losses) on disposal	-591	392
Additions/Reversals of provisions for asset impairment, excluding reversals on disposals and closures	-323	-455
Additions/Reversals of non-current provisions for risks and charges	-30	44
Other	-2 060	157
<b>Other non-recurring operating items</b>	<b>-3 004</b>	<b>137</b>

Capital gains/(losses) on disposal includes principally the transfer of LOA leasehold rights recognised over the period and the impact of stores closures, deconsolidated during the year.

Provisions and reversals of provisions for impairment of property, plant and equipment mainly includes the depreciation of LOA leasehold rights.

For the six-months period ending on 31<sup>st</sup> January 2021, other mainly includes severance payment for an amount of €2,100 thousand.

#### 6.1.5. Depreciation, amortisation and impairment

(in thousands of euros)	31/01/2021 (6 months)	31/01/2020 (6 months)
Amortisation of intangible assets	-2 208	-1 434
Depreciation of property, plant and equipment	-3 070	-2 783
Provisions for depreciation of right-of-use assets on PP&E (IFRS 16)	-6 395	-6 381
Additions/Reversals – Provisions for trade receivables and inventories	540	-158
Additions/Reversals – Provisions for retirement benefits	-195	-169
Additions/Reversals – Current provisions for risks and charges	577	558
<b>Depreciation, amortisation and impairment</b>	<b>-10 751</b>	<b>-10 368</b>

#### 6.1.6. Net financial income/(expense)

(in thousands of euros)	31/01/2021 (6 months)	31/01/2020 (6 months)
Income from other investments	127	163
Financial income on finance lease receivables - IFRS 16	508	394
Other financial income	278	455
Reversals of financial provisions	89	97
<b>Financial income</b>	<b>1 001</b>	<b>1 109</b>
Interest on convertible bonds	-20 248	-17 265
Interest on other bonds (high yield)	-8 935	-8 935
Financial expense on lease liabilities	-2 108	-1 752
Other financial expense	-426	-306
<b>Gross borrowing costs</b>	<b>-31 718</b>	<b>-28 257</b>
Financial provisions	-448	-39
Other financial expense - IFRS 16	0	-4
Miscellaneous financial expense	-943	-1 550
<b>Financial expense</b>	<b>-33 110</b>	<b>-29 850</b>
<b>Net financial income/(expense)</b>	<b>-32 108</b>	<b>-28 741</b>

The financial income of €1001 thousand reported for the six-months period on 31<sup>st</sup> January 2021 was derived chiefly from financial lease on IFRS 16 for €508 thousand, interest on vendor loans, application fees and interest on advances to franchisees, as well as foreign exchange gains for €199 thousand. For the six-months period on 31<sup>st</sup> January 2020, financial income amounted to €1,109 thousand and was of the same nature.

The increase of €3,461 thousand in gross borrowing costs mainly comes from interest on convertible.

The financial provisions for the six-months period on 31<sup>st</sup> January 2021 is related to the depreciation of financial receivables for €448 thousand.

The miscellaneous financial expense of €943 thousand reported for the six-months period on 31<sup>st</sup> January 2021 related chiefly to foreign exchange losses for a total amount of €782 thousand. For the six-months period on 31<sup>st</sup> January 2020, miscellaneous financial expense amounted to €1,554 thousand and was related chiefly to foreign exchange losses.

### 6.1.7. Income tax

Tax proof	31/01/2021 (6 months)	31/01/2020 (6 months)
Consolidated profit before tax	4 648	7 780
<b>Income tax expense recognised</b>	-2 443	-2 058
of which current tax	-2 094	-2 091
of which deferred tax	-349	34
Average effective tax rate	52,56%	26,45%

### 6.1.8. Earnings per share

Basic earnings per share are calculated based on the weighted average number of outstanding shares less the weighted average number of shares held by consolidated companies. Diluted earnings per share are based on the weighted average number of shares defined above, plus the weighted average number of potentially dilutive common shares.

Potentially dilutive shares are: shares granted in connection with convertible bonds issued at the time of the Group's refinancing on 17 July 2012, which include bonds convertible into shares (OCA), i.e. potentially 96,264,603 shares; and shares granted in connection with class A mezzanine equity warrants, i.e. potentially 6,596,000 shares, and class B mezzanine equity warrants, i.e. potentially 9,520,000 shares.

The maximum number of potential dilutive shares in a subsequent year is 112,380,603.

## 6.2. Notes to the balance sheet

### 6.2.1. Trademarks

As of 31<sup>st</sup> January 2021, trademarks were valued at a total of €657,065 thousand, unchanged compared with 31<sup>st</sup> July 2020.

(in thousands of euros)	31/01/2021			31/07/2020		
	Gross	Impairment	Net	Gross	Impairment	Net
Alain Afflelou	650 000		650 000	650 000		650 000
Optical Discount	5 600		5 600	5 600		5 600
Malentille.com	2 000	-535	1 465	2 000	-535	1 465
<b>Total</b>	<b>657 600</b>	<b>-535</b>	<b>657 065</b>	<b>657 600</b>	<b>-535</b>	<b>657 065</b>

The Group was subject of a final acquisition on 17 July 2012 by Lion Seneca Lux 2 (LSL2) via its AFFLELOU holding company subsidiary, which resulted in the valuation of the Alain Afflelou trademark at €650 million as part of the accounting for the takeover pursuant to IFRS 3.

### 6.2.2. Goodwill

(in thousands of euros)	31/07/2020	Additions	Decrease	31/01/2021
Gross amount	255 329	174	-726	254 778
Accumulated impairment	-41 988	-323	105	-42 207
<b>Net amount</b>	<b>213 341</b>	<b>-149</b>	<b>-621</b>	<b>212 571</b>

### 6.2.3. Right-of-use assets and sublease receivables

(in thousands of euros)	31/01/2021			31/07/2020		
	Gross	Impairment Depreciation	Net	Gross	Impairment Depreciation	Net
France	93 766	-50 163	43 603	88 862	-46 031	42 830
Spain	43 222	-24 472	18 751	39 974	-22 855	17 119
Other	2 541	-796	1 744	1 718	-532	1 186
<b>Total right-of-use assets and sublease receivables</b>	<b>139 529</b>	<b>-75 431</b>	<b>64 098</b>	<b>130 554</b>	<b>-69 418</b>	<b>61 136</b>

#### 6.2.3.1. Gross amounts

(in thousands of euros)	31/07/2020	Acquisitions	Disposals, transfers	Other movements	31/01/2021
France	88 862	5 544	-189	-451	93 766
Spain	39 974	2 762	-223	709	43 222
Other	1 718	833	-9	-2	2 541
<b>Total</b>	<b>130 554</b>	<b>9 140</b>	<b>-422</b>	<b>257</b>	<b>139 529</b>

#### 6.2.3.2. Depreciation and impairment

(in thousands of euros)	31/07/2020	Depreciation and amortisation and provisions	Reversals, disposals	Other movements	31/01/2021
France	-46 031	-4 305	189	-16	-50 163
Spain	-22 855	-1 817	223	-23	-24 472
Other	-532	-274	9		-796
<b>Total</b>	<b>-69 418</b>	<b>-6 395</b>	<b>422</b>	<b>-40</b>	<b>-75 431</b>

#### 6.2.3.3. Sublease receivables

(in thousands of euros)	31/07/2020	Acquisitions	Repayment	Other movements	31/01/2021
Long-term sublease receivables	16 139	2 273	0	-2 792	15 620
Short-term sublease receivables	3 145	132	-1 462	1 227	3 041
<b>Gross total</b>	<b>19 283</b>	<b>2 404</b>	<b>-1 462</b>	<b>-1 565</b>	<b>18 661</b>

### 6.2.4. Inventories

(in thousands of euros)	31/01/2021	31/07/2020
Directly owned stores	12 992	11 765
Trading activity	17 172	17 326
Other	840	738
<b>Total merchandise inventories</b>	<b>31 004</b>	<b>29 828</b>
Provisions	-3 040	-2 716
<b>Net total</b>	<b>27 964</b>	<b>27 112</b>

### 6.2.5. Trade receivables

(in thousands of euros)	31/01/2021	31/07/2020
Franchise and communication fees	58 888	67 597
Listing fees, and delcredere and distribution commissions	6 878	7 087
Sales of exclusive products	1 279	977
Directly owned store activity	5 299	5 376
Other receivables	373	270
<b>Gross total</b>	<b>72 717</b>	<b>81 307</b>
Provisions	-6 571	-7 028
<b>Net total</b>	<b>66 146</b>	<b>74 279</b>

### 6.2.6. Share capital

As of 31<sup>st</sup> January 2021, the share capital amounted to €231,481,560.85, consisting of 433,486,069 fully paid-up shares with a par value of €0.534 each, of which 415,449,754 common shares and 18,036,315 million class D preference shares. No dividends were paid in respect of the year ended 31 July 2020. The results for the years ended 31 July 2019 and 2020 were allocated to shareholders' equity.

### 6.2.7. Analysis of borrowings and other financial liabilities

(in thousands of euros)	31/01/2021		31/07/2020	
	Current portion	Non-current portion	Current portion	Non-current portion
Bonds convertible into shares		253 286		233 038
<b>I) Total convertible bonds</b>		<b>253 286</b>		<b>233 038</b>
Senior secured fixed rate	2 783	249 083	2 783	248 809
Senior secured floating rate	223	164 395	223	164 214
<b>II) Medium-term external borrowings</b>	<b>3 007</b>	<b>413 479</b>	<b>3 007</b>	<b>413 022</b>
Loans	30 000		30 035	145
Bank overdrafts and assignment of trade receivables			12	
Security deposits		1 278		1 275
<b>III) Total other financial borrowings</b>	<b>30 000</b>	<b>1 278</b>	<b>30 046</b>	<b>1 420</b>
<b>Total (I+II+III)</b>	<b>33 007</b>	<b>668 043</b>	<b>33 053</b>	<b>647 480</b>

The current portion of the senior secured notes and senior notes corresponds mainly to accrued interest as of 31<sup>st</sup> January 2021 and 31 July 2020. for the six-months period on 31<sup>st</sup> January 2021, loans include a €30 million government-guaranteed. The change in borrowings and financial liabilities (except for lease liabilities – note 6.2.9) is mainly due to the recognition of accrued interest on bonds convertible into shares during the period.

### 6.2.8. Change in borrowings

(in thousands of euros)	31/01/2021	31/07/2020
<b>Opening borrowings</b>	680 533	615 763
Loans	26	30 079
Repayment of loans	-201	-699
Interest expense for the period	20 705	35 254
Change in bank overdrafts	-12	-10
Change in scope		145
<b>Closing borrowings</b>	<b>701 050</b>	<b>680 533</b>

### 6.2.9. Leases liabilities

(in thousands of euros)	31/01/2021	31/07/2020
<b>Opening lease liabilities</b>	83 677	89 879
Repayment of loans	-7 587	-15 508
Interest expense for the period	-2 614	399
New loans/finance leases	11 845	8 901
Other movements	999	6
<b>Closing lease liabilities</b>	<b>86 321</b>	<b>83 677</b>

### **6.3. Contingent liabilities, off-balance sheet contractual commitments and contingencies**

---

#### **6.3.1. Change in off-balance sheet commitments**

No significant changes in commitments given or received, contractual obligations, pledges or collateral are to be noted compared with 31<sup>st</sup> July 2020, except for :

- commitments given : securities and bank guarantees in Spain and France which have decreased by €1,1 million and €2,5 million respectively due to the decrease of franchisees' outstanding balances with banks;
- commitments received : liabilities related to the central payment structure increased by €1,6 million due to the increase in franchisee outstandings balance with Afflelou over the period, which are guaranteed by personal sureties.

#### **6.3.2. Notification, lawsuits and disputes**

Companies belonging to the Group may become involved in lawsuits or litigation in the normal course of their business, including disputes with tax, social security or customs authorities.

##### The French Competition Authority investigation

On 27 May 2015, the French Competition Authority notified Alain Afflelou Franchiseur of grievances, accusing it of “having colluded with providers of eye- and sunglass frames, from 2003 at the earliest and until 2009, to fix retail prices and to impede the fixing of prices through free competition in violation of the provisions of Article L.420-1 of the French Commercial Code and Article 101 paragraph 1 of the TFEU”.

Alain Afflelou Franchiseur responded to the grievances laid out by the French Competition Authority on 27 July 2015, vigorously contesting them on all points. In July 2016, Alain Afflelou Franchiseur received a report from the French Competition Authority in response. The report rejected the arguments put forward by Alain Afflelou Franchiseur, but nevertheless narrowed the period of the alleged practices, stating that the practices at issue were spread as regards Alain Afflelou Franchiseur between 25 February 2005 and 31 December 2009. The report also capped the potential penalty at approximately €12.5 million.

The French Competition Authority issued a decision on the vertical agreement grievances on 24 February 2017. It decided to refer the issue back for further investigations. It is difficult to predict the outcome of the new investigation, bearing in mind that it was deemed at this stage of the proceedings that collusion had not been identified. The referral should result in a complementary notification. It is not possible to assess the amount of any fine to which Alain Afflelou Franchiseur may be liable if the case brought by the French Competition Authority is successful.

On 19 April 2019, Alain Afflelou Franchiseur received notification of additional grievances in which no grievance was filed against it. No response was therefore given to this notification.

On 2 March 2020, Alain Afflelou Franchiseur received the additional report from the French Competition Authority. Even though Alain Afflelou Franchiseur is still not concerned by the additional grievances, it nevertheless issued a response to the Competition Authority on certain procedural arguments of interest to it.

In the state of this additional complaint notice of 2019 and this additional report of 2020, the Company Alain Afflelou Franchisor remains concerned only by the initial notice of grievances which, as recalled above, had been considered unsatisfactory by the Company.

The case was raised during a session (hearing) of the Competition Authority on January 13, 2021.

During this session, all the parties to the proceedings invoked the prescription of the file, relying on a judgment of the Paris Court of Appeal of December 3, 2020 (Brenntag case) in which the Court rejected the sole argument procedure invoked by the investigation services to oppose the argument relating to the prescription of the file.

Logically, the Competition Authority should align itself with the Paris Court of Appeal's position concerning the prescription, unless it intends to resist this position in the hope of a possible quashing of this decision.

Alain Afflelou Franchiseur, which continues to believe itself to be in the right, intends to continue contesting the French Competition Authority's allegations vigorously. Accordingly, no provision for this litigation has been recorded in the Group's consolidated financial statements.

#### VAT Deductibility Notification

On 8 December 2017, the Group received a notification from the tax authorities following an audit of VAT deducted by Optical Finance in the years 2014 to 2016. Adjustments notified by the tax authorities amounted to €1.5 million.

Following receipt of the tax authorities' assessment on 16 August 2018, the group decided to pay the sum corresponding to the principal adjustment of €966 thousand. Nevertheless, the Group referred the matter to the Paris administrative tribunal, considering the authorities' position to be unfounded. The Group also called the vendor warranties issued by the vendor shareholders on its acquisition of Optical Finance, which are capped at €1 million.

#### Tax disputes on income taxes

As a result of a tax audit launched in 2015 with respect to the period from August 1, 2009 to July 31, 2012, the French tax authorities issued a first tax reassessment notice mainly reassessing the price at which Alain Afflelou Franchiseur sold certain loss making subsidiaries holdings in 2010, claiming that such sale price should have been higher in order to be considered arm's length. The Company and its legal and tax advisers believe there are robust arguments to challenge the position of the French tax authorities.

A second tax reassessment notice was issued in December 2018 in respect of the income tax expense for fiscal years ended July 31, 2013, 2014 and 2015, relating to the deductibility of the 14% interest expense on the convertible bonds issued in July 2012 as part of the Group's acquisition by the current shareholders, in an amount of approximately €203 million. The French tax authorities challenged the deductibility of interest on these convertible bonds on the grounds that these bonds were in fact an equity financing by the shareholders, the deduction of the interest consequently constituting an abuse of law under French law. The Group, on the basis of the analysis carried out by our legal and tax advisers, challenged the position of the French tax authorities in a response sent in February 2019. In March 2021, the French tax authorities confirmed their position in principle and launched a second tax audit with respect to the fiscal years ended July 31, 2016, 2017, 2018, 2019, 2020.

Deferred tax assets in respect of tax loss carryforward amounted to €65.4 million as of January 31, 2021. If the French tax authorities were to prevail concerning the two disputes, it could result in a reduction of the amount of tax loss carryforwards for an estimated amount of deferred tax assets of approximately €58 million and could result in payment of income taxes for the years subject to reassessments as well as the following years up to the January 31, 2021 and related penalties for a maximum estimated amount as of the date hereof of approximately €21 million based on the current status of the procedure.

#### Control of supplier payment deadlines

On September 21, 2020, the DIRECCTE initiated a control in line with the commitment made by the company Alain Afflelou Franchiseur to respect the legal payment deadlines formulated when its request was made to obtain a loan guaranteed by the State (PGE).

On the March 2, 2021 The Company made its observations on the payment deadlines controlled by the DIRECCTE over the period from June 1, 2020 to August 31, 2021 and submitted all the documents in support of said observations.

At this stage, the DIRECCTE has not formulated any response.

### **6.3.3. Related parties**



As of 31<sup>st</sup> July 2020, no significant changes in the main transactions between the Company's consolidated companies and related parties are to be noted, except for the amount of convertible bonds that are presented in this financial statements.

## **7. Subsequent events**

---

COVID-19 epidemic : see note 2.1

*This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users. This statutory auditors' report includes information required by French law, such as the verification of the management report and other documents provided to the shareholders.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

**ERNST & YOUNG et Autres**  
Tour First  
TSA 14444  
92037 Paris-La Défense Cedex  
S.A.S. à capital variable  
438 476 913 R.C.S. Nanterre

**DELOITTE & Associés**  
6, place de la Pyramide  
92908 Paris-La Défense Cedex  
S.A.S. au capital de 2 188 160 €  
572 028 041 RCS Nanterre

**AFFLELOU**  
**Société par actions simplifiée**

11, rue d'Argenson  
75008 Paris

Statutory auditors report on the consolidated financial statements

Year ended 31 July 2020

To the of shareholders of Afflelou:

*Opinion*

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of Afflelou for the year ended 31 July 2020. These financial statements were approved by the President on 19 November 2020 on the basis of the information available at that date in the evolving context of the Covid-19 crisis and of difficulties in assessing its impact and future prospects. In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 July 2020 and of the results of its operations for the year then ended in accordance with in accordance with International Financial Reporting Standards as adopted by the European Union.

*Basis for Opinion*

**Audit Framework**

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our responsibilities under those standards are further described in the "*Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report.

**Independence**

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1<sup>st</sup> August 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in the French Code of Ethics (Code de déontologie) for statutory auditors.

*Emphasis of Matter*

Without modifying the opinion expressed above, we draw your attention on:

- Note 4.1.1 "Standards, interpretations and amendments mandatory as of 1 August 2019" to the consolidated financial statements which sets out the impact of the mandatory application as of 1<sup>st</sup> August 2019 of IFRS 16 « Leases »;

- Note 6.6.3 “Notifications, lawsuits and disputes” to the consolidated financial statements which sets out the uncertainty related to the tax adjustments received from the tax authorities concerning tax loss carry forwards.

### *Justification of Assessments*

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the following assessments that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, as approved in the conditions above-mentioned context, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements. Impairment tests on trademarks, goodwill and other intangible assets with an indefinite useful life are performed in accordance with the method described in Note 6.2.5 to the financial statements. We assessed the appropriateness of the method implemented based on a range of estimates and examined the data and assumptions used by the Group in performing these tests. On this basis, we assessed the reasonableness of these estimates.

### *Specific Verification*

We have also performed in accordance with professional standards applicable in France the specific verifications required by laws and regulations of the information pertaining to the Group given in the management report of the president as approved on 19 November 2020. With regard to the events which occurred and the facts known after the date of approval of the consolidated financial statements relating to the impact of the Covid-19 crisis, management indicated to us that they will be communicated to the shareholders called to decide on these financial statements.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is 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, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The consolidated financial statements were approved by the President.

### *Statutory Auditors Responsibilities for the Audit of the Consolidated Financial Statements*

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. 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 financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. 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.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's 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 Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation

Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Paris-La Défense, on 27 November 2020

The Statutory Auditors

**French original signed by**

ERNST & YOUNG et Autres  
Benoît SCHUMACHER

DELOITTE & Associés  
Cécile REMY, Jean Paul SEURET

**Afflelou**

Simplified joint stock company with capital of 231,481,560.85 euros  
Registered office: 11 rue d'Argenson, 75008 Paris  
751,095,712 Paris Trade and Companies Register

**Consolidated financial statements for the year ended 31 July 2020**

# I – Consolidated statement of financial position

(in thousands of euros)

Assets	Note	31/07/2020	31/07/2019
Goodwill	6.2.2	213,341	171,430
Trademarks	6.2.1	657,065	657,065
Intangible assets	6.2.3	9,325	60,602
Property, plant and equipment	6.2.4	20,394	17,024
Right-of-use assets	6.2.5	61,136	
Other financial assets	6.2.7	14,311	13,150
Long-term sublease receivables	6.2.5	16,139	
Deferred tax assets	6.1.8.4	7,100	2,482
<b>Non-current assets</b>		<b>998,810</b>	<b>921,753</b>
Inventories	6.2.8	27,112	27,892
Trade receivables	6.2.9	74,279	60,699
Other current assets	6.2.11.1	86,764	82,680
Short-term sublease receivables	6.2.5	3,145	
Cash and cash equivalents	6.2.12	76,893	35,743
<b>Current assets</b>		<b>268,192</b>	<b>207,014</b>
<b>Total assets</b>		<b>1,267,003</b>	<b>1,128,767</b>
Equity and liabilities	Note	31/07/2020	31/07/2019
Share capital	6.2.13	231,482	233,532
Other reserves		(3,298)	(4,330)
Net income for the period		(10,536)	6,804
Other comprehensive income		(256)	(238)
<b>Total equity</b>		<b>217,392</b>	<b>235,767</b>
Non-current borrowings	6.2.16	647,480	612,594
Long-term lease liabilities	6.2.17	68,026	
Deferred tax liabilities	6.1.8.4	118,671	122,109
Employee benefits and similar	6.2.14	2,407	2,347
Non-current provisions	6.2.15	4,207	4,639
<b>Non-current liabilities</b>		<b>840,790</b>	<b>741,689</b>
Current borrowings	6.2.16	33,053	3,169
Short-term lease liabilities	6.2.17	15,651	
Current provisions	6.2.15	112	80
Trade payables	6.2.10	54,468	44,294
Derivative financial liabilities		438	560
Tax payable	6.1.8.3	1,090	1,361
Other current liabilities	6.2.11	104,009	101,847
<b>Current liabilities</b>		<b>208,821</b>	<b>151,311</b>
<b>Total equity and liabilities</b>		<b>1,267,003</b>	<b>1,128,767</b>

NB: The amounts shown in the tables are expressed in thousands of euros. Rounding may in some cases result in an immaterial difference in the totals.

## II – Consolidated income statement

(in thousands of euros)	Note	31/07/2020 (12 months)	31/07/2019 (12 months)
Revenue	6.1.1	309,235	372,990
Cost of purchases		(160,665)	(190,741)
Wages and salaries including social security contributions	6.1.2	(54,109)	(55,820)
Other purchases and external expenses	6.1.4	(24,353)	(41,069)
Duties and taxes other than income tax		(2,254)	(2,154)
Depreciation, amortisation and impairment	6.1.5	(17,916)	(9,658)
<b>Operating income from ordinary activities</b>		<b>49,937</b>	<b>73,548</b>
Other non-recurring operating items	6.1.6	(1,816)	(8,678)
<b>Operating profit</b>		<b>48,121</b>	<b>64,870</b>
Financial income		3,839	2,208
Borrowing costs		(57,953)	(53,871)
Other financial expense		(3,637)	(3,766)
<b>Net financial income/(expense)</b>	6.1.7	<b>(57,752)</b>	<b>(55,429)</b>
<b>Net income before tax of consolidated companies</b>		<b>(9,631)</b>	<b>9,441</b>
Tax income/(expense)	6.1.8.2	(1,053)	(1,435)
<b>Net income of continuing operations</b>		<b>(10,684)</b>	<b>8,006</b>
Net income of discontinued operations		148	(1,202)
<b>Net income</b>		<b>(10,536)</b>	<b>6,804</b>
<b>Basic earnings per share (in €)</b>	<b>6.1.9</b>	<b>(0.02)</b>	<b>0.02</b>

*NB: The amounts shown in the tables are expressed in thousands of euros. Rounding may in some cases result in an immaterial difference in the totals.*

### III – Statement of comprehensive income

(in thousands of euros)	31/07/2020 (12 months)	31/07/2019 (12 months)
<b>Net income</b>	<b>(10,536)</b>	<b>6,804</b>
Exchange differences arising on the translation of foreign operations	35	(31)
Fair value gains (losses) on financial instruments	24	15
Tax impact of fair value gains (losses) on financial instruments	(6)	(4)
Fair value gains (losses) on available-for-sale financial assets		(159)
Tax impact of fair value gains (losses) on available-for-sale financial assets		33
<b>Other comprehensive income that may subsequently be reclassified to profit or loss</b>	<b>53</b>	<b>(146)</b>
Actuarial gains and losses on pension obligations	(95)	(102)
Tax impact of actuarial gains and losses on pension obligations	25	26
<b>Other comprehensive income that will not be reclassified to profit or loss</b>	<b>(71)</b>	<b>(76)</b>
<b>Total other comprehensive income</b>	<b>(18)</b>	<b>(222)</b>
<b>Total comprehensive income</b>	<b>(10,554)</b>	<b>6,582</b>

NB: The amounts shown in the tables are expressed in thousands of euros. Rounding may in some cases result in an immaterial difference in the totals.



#### IV – Consolidated statement of cash flows

(in thousands of euros)	Note	31/07/2020 (12 months)	31/07/2019 (12 months)
<b>Operating activities:</b>			
Net income		(10,536)	6,804
Depreciation and amortisation and provisions		30,924	19,086
Reversal of provisions		(13,289)	(15,013)
Capital gains and losses on disposals	6.1.6	637	7,539
Tax expense/(income)	6.1.8.2	1,103	2,221
Financial income on finance lease receivables	6.1.7	(1,120)	
Borrowing costs	6.1.7	57,953	53,867
<b>Cash flow before borrowing costs</b>		<b>65,672</b>	<b>74,504</b>
Change in inventories		2,461	(20)
Change in receivables		(16,485)	17,817
Change in liabilities		10,473	(428)
Prepaid expenses and deferred income		995	(905)
<b>Change in working capital</b>		<b>(2,556)</b>	<b>16,464</b>
Income tax paid		(4,309)	(4,769)
<b>Net cash from/(used in) operating activities</b>		<b>58,807</b>	<b>86,199</b>
<b>Investing activities:</b>			
Purchases of intangible assets	6.2.3.2	(8,047)	(5,916)
Purchases of property, plant & equipment	6.2.4.1	(10,425)	(5,075)
Proceeds from disposals of intangible assets and PP&E		6,555	5,236
Purchases of financial assets	6.2.7	(4,733)	(2,832)
Proceeds from disposals of financial assets	6.2.7	2,905	2,611
Payments received under sublease contracts		2,913	
Interest received under sublease contracts		933	
Purchases of subsidiaries		619	(2,208)
<b>Net cash from/(used in) in investing activities</b>		<b>(9,280)</b>	<b>(8,184)</b>
<b>Financing activities:</b>			
Loans	6.2.16.2	30,079	998
Repayment of borrowings	6.2.16.2	(699)	(62,646)
Repayment of lease liabilities	6.2.17.1	(15,508)	
Interest paid on lease liabilities	6.1.7	(3,514)	
Other financial expenses paid		(53)	(29)
Net interest paid	6.1.7	(18,669)	(18,113)
<b>Net cash from/(used in) financing activities</b>		<b>(8,363)</b>	<b>(79,791)</b>
<b>Effect of changes in exchange rates</b>		<b>(4)</b>	<b>6</b>
<b>Change in cash</b>		<b>41,160</b>	<b>(1,769)</b>
Cash and cash equivalents at beginning of period		35,721	37,490
Cash and cash equivalents at end of period		76,881	35,721

NB: The amounts shown in the tables are expressed in thousands of euros. Rounding may in some cases result in an immaterial difference in the totals.

## V – Statement of changes in equity

(in thousands of euros)	Number of shares	Share capital	Other reserves (1)	Net income for the year	Other comprehensive income	Total
<b>Shareholders' equity as of 31/07/2018</b>	<b>437,325,006</b>	<b>233,532</b>	<b>10,943</b>	<b>(8,021)</b>	<b>(39)</b>	<b>236,415</b>
Appropriation of prior year income			(8,021)	8,021		(7,230)
Changes in share capital			(7,230)			
Change in scope						
Comprehensive income for the period			(23)	6,804	(199)	6,582
<b>Shareholders' equity as of 31/07/2019</b>	<b>437,325,006</b>	<b>233,532</b>	<b>(4,330)</b>	<b>6,804</b>	<b>(238)</b>	<b>235,767</b>
Appropriation of prior year income			6,804	(6,804)		(7,621)
Impact of first-time application of IFRS 16			(7,621)			2,547
Changes in share capital	4,768,922	2,547				(2,746)
Change in scope	(8,607,859)	(4,596)	1,850			(10,554)
Comprehensive income for the period				(10,536)	(18)	
<b>Shareholders' equity as of 31/07/2020</b>	<b>433,486,069</b>	<b>231,482</b>	<b>(3,298)</b>	<b>(10,536)</b>	<b>(256)</b>	<b>217,392</b>

(1) Including the equity component of convertible bonds (see Note 6.2.16.3.4)

NB: The amounts shown in the tables are expressed in thousands of euros. Rounding may in some cases result in an immaterial difference in the totals.

## VI – Notes to the consolidated financial statements

### 1. Overview

#### 1.1. General information on the parent company

The parent company, AFFLELOU, is a French joint stock company controlled by LION SENECA Lux 2, headquartered at 11 rue d'Argenson, 75008 Paris. The "Group" comprises the parent company, which wholly owns 3AB OPTICAL DEVELOPMENT ("3ABOD") and its subsidiaries.

The Chairman of AFFLELOU approved the annual financial statements and the consolidated financial statements for the year ended 31 July 2020 on 19 November 2020.

#### 1.2. General information on the Group

The Group is a leader in the market for the distribution of optical products in France and Spain, and a major player in the European markets of Belgium and Switzerland. The Group also operates in various countries in Africa, Asia and America. The Group's core business is the sale of optical and audio products through a network of franchises and directly owned stores operating under the "ALAIN AFFLELOU", "ALAIN AFFLELOU ACOUSTICIEN" and "OPTICAL DISCOUNT" banners.

The Group has based its expansion strategy on the franchise network. This model is based on revenue generated by sales in franchise networks (mainly franchise fees and communication fees) and through their purchases, through services provided to the suppliers of the various brands, and through direct sales of products to franchisees, notably branded company products.

The Group owns a network of stores so as to (i) retain control over flagship stores located in strategic areas and key geographies, (ii) test new business initiatives and identify best practices before applying them to the franchisees, and (iii) manage the overall store network by temporarily piggy-backing stores that are at the end of a franchise agreement or experiencing difficulties, thereby keeping them within the Group for subsequent transfer to new franchisees.

Lastly, the Group derives part of its revenue from the e-commerce channel, notably with the afflelou.com, malentille.com and opticaldiscount.com websites.

### 2. Highlights

#### 2.1. Change in the networks

The Group had 1,429 stores (1,336 optical stores and 93 audio stores) as of 31 July 2020, compared with 1,425 stores (1,342 optical stores and 83 audio stores) as of 31 July 2019. The expansion of our networks was slowed last year by the continued downscaling of the Optical Discount store base.

The portfolio of 93 audio stores is complemented by 262 spaces in optical stores in France and Spain, bringing the total number of audio outlets to 355, compared with 319 as of 31 July 2019.

As of 31 July 2020, the Group operated in 19 countries, split into three zones: France with 961 points of sale, Spain with 328 points of sale, and other countries representing 140 points of sale.

The portfolio of directly owned stores, located mainly in France and Spain, represented 150 optical stores and 1 audio store as of 31 July 2020, compared with 162 optical stores and no audio stores as of 31 July 2019.

#### 2.2. Change in the Group's debt

Despite the sharp drop in activity stemming from the COVID-19 epidemic and the considerable extension of payment terms granted to our franchisees, the Group was able to reduce its external financial debt

(excluding IFRS 16 and convertibles bonds) by €11 million net of cash and cash equivalents. However, the Group obtained a €30 million government-guaranteed loan as a precautionary measure in July 2020.

### **2.3. Implementation of the scheme ensuring the full refund of healthcare costs in the optical and audio sectors in France**

---

The optical and audio sectors have seen the implementation of regulatory changes guaranteeing the full refund of healthcare costs since 1 January 2020, which will be completed for the audio sector in January 2021. The new scheme, known as *100% Santé*, establishes two segments for opticians and audio practitioners, a free segment and an administered segment offering a basket of treatments ensuring that eyeglass and hearing aid wearers are treated with no out-of-pocket expenses. For optics, segment A, known by the French acronym RAC0 (for zero out-of-pocket expenses), is based on a price of approximately €100 for the provision of single-vision lenses and €200 for progressive lenses. These products are priced well below the averages observed in the market (€287 and €555 respectively according to a 2019 Galileo study). The *100% Santé* scheme also reduces the ceiling for refunds on frames by mutual insurance companies to €100. Equivalent provisions are being phased in for the audio sector, where the gradual arrival of zero out-of-pocket expenses arrangements has prompted a wait-and-see attitude among wearers and as such a decline in the market, even before the COVID-19 epidemic. In view of technical difficulties in the new scheme early in the year, followed by the massive upheavals caused by the epidemic, it is very hard to measure the actual impact of *100% Santé* on our sector, and above all the proportion of customers opting for segment A products (lenses or frames, or both).

### **2.4. COVID-19 epidemic**

---

At the end of the 2019 calendar year, a new coronavirus, COVID-19, was detected in China before spreading to Europe, and notably our two main countries, France and Spain. To stem the spread of the epidemic, most European governments imposed stringent lockdown measures from mid-March onwards. These measures resulted in an abrupt and near total shutdown of all of our activities, more than 99% of which were carried out by the stores in our networks, over a period covering nearly two months, from mid-March to mid-May. The immediate consequence of these measures was naturally the collapse of revenues in our networks, and in turn those of our Group.

The Group responded very quickly to this exceptional environment.

Financially, our efforts were focused primarily on supporting our franchisees. The abrupt cessation of activity caused a almost stop in their revenues, while expenses continued to accumulate and supplies still had to be paid for. We therefore supported our franchisees in their various procedures (furlough for employees, negotiations with landlords, tax arrangements, one-off assistance), and also facilitated the granting of financing, if necessary with our guarantee. Lastly, we partially deferred maturities in a total amount of more than €30 million from March to May; their repayment is due mostly in the coming fiscal year, the outstanding amount as of 31 July having already been reduced to approximately €25 million.

At the AFFLELOU Group level, government measures including furlough schemes for employees and the optimisation of our expenses between March and May helped limit the pandemic's financial impact. As a precautionary measure, the Group nevertheless approached its banking partners to arrange a €30 million government-guaranteed loan, obtained in July 2020.

### **2.5. Merger by absorption of Tchin Management 3**

---

On 31 January 2020, AFFLELOU took over Tchin Management 3, which was wound up without liquidation with retroactive effect to the first day of the fiscal year, i.e. 1 August 2019. The following transactions were recorded at the consolidated level by decision of the Chairman on 27 January 2020:

- cash capital increase of €2,546,504.35 to €236,078,157.55 through the issue of 4,768,922 ADP D preference shares with a par value of €0.534 each plus a total share premium of €10,443,939.18;
- cash capital reduction in a nominal amount of €4,596,596.70 to €231,481,560.85 through the cancellation of 8,607,859 shares with a par value of €0.534 each in connection with the merger by absorption of Tchin Management 3.

### **3. Change in the scope of consolidation**

#### **3.1. Change in the scope of consolidation in fiscal 2020**

Following its acquisition on 31 July 2019, AA OC MAG, owner and operator of six stores, was merged into L'opticien Afflelou (LOA) on 31 January 2020. As a result of this merger, AA OC MAG was wound up without liquidation with retroactive effect to the first day of the fiscal year, i.e. 1 August 2019. In addition, Tchén Management 3 was merged into AFFLELOU on 31 January 2020 (see Note 2.5). Lastly, the Group acquired Spanish company ARKANIA VISION, operating 1 store, in July 2020.

#### **3.2. Change in the scope of consolidation in fiscal 2019**

The main changes in scope were the merger by way of takeover of Digital Eyewear by Alain Afflelou Franchiseur and its winding up without liquidation with retroactive effect to the first day of the fiscal year, i.e. 1 August 2018. As part of the disposal of the Optimil discount banner in Spain, Polus was sold in October 2018. The Group acquired, during the year ending July 31 2019, three Spanish companies (Cecimar Opticos, Paladio Vision and Feyla Opticos SL) managing a total of five stores as part of its strategy of developing directly owned stores. During the year ending July 31, 2019, Cecimar Opticos, Paladio Viso, Feyla Opticos and Opticas Azahar were merged with Alain Afflelou Optico (AAO). Lastly, the Group acquired AA OC MAG, comprising six stores, on 31 July 2019.

### **4. Accounting policies**

#### **4.1. Standards and rules applied**

The Group's consolidated financial statements for the year ended 31 July 2020 were prepared in accordance with the international accounting standards issued by the IASB (International Accounting Standards Board) and adopted by the European Union under Regulation (EC) No 1606/2002 of 19 July 2002. These standards include International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), as well as interpretations issued by the IFRS Interpretations Committee (IFRS IC), as approved in the European Union, application of which was mandatory as of the year under review, which are available on the website of the European Commission ([http://ec.europa.eu/finance/company-reporting/index\\_en.htm](http://ec.europa.eu/finance/company-reporting/index_en.htm)).

The accounting policies applied in the consolidated financial statements are consistent with those used in preparing the consolidated financial statements for the year ended 31 July 2019, with the exception of new standards, amendments and interpretations applicable in financial years beginning on or after 1 August 2019:

##### **4.1.1. Standards, interpretations and amendments mandatory as of 1 August 2019**

- IFRS 16 *Leases*;
- Amendments to IFRS 9 *Prepayment Provisions Providing for Negative Compensation*;
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*;
- Amendments to IAS 19 *Employee Benefits – Plan Amendment, Curtailment or Settlement*;
- Annual improvements, 2015-2017 cycle;
- IFRIC 23 *Uncertainty over Income Tax Treatments*.

The impact of IFRS 16 is described below.

The other standards, amendments to standards or interpretations do not have a material impact on the consolidated financial statements for the year ended 31 July 2020.

##### **▪ IFRS 16 Leases.**

On 13 January 2016, the IASB issued a new standard on leases, IFRS 16. The new standard, which replaces IAS 17 and its interpretations, has resulted in the recognition of most leases using a single accounting model in the balance sheet, on the assets side comprising a right-of-use asset representing the right to use the underlying leased asset and a lease liability representing the obligation to make payments (replacing the classification as operating or finance leases for lessees). The new standard, adopted by the European Union, is applicable for annual periods beginning on or after 1 January 2019 and was therefore

applied by the Group from 1 August 2019. Most of the Group's leases are property leases for the rental of commercial premises and, to a lesser extent, office space. The Group is also an intermediary lessor because it has concluded sublease agreements with franchisees.

The Group elected to apply the modified retrospective transition approach offered by the standard. As of 1 August 2019, the lease liability was calculated by discounting the remaining rents at the Group's incremental borrowing rate at that date, taking into account the estimated remaining term of the various leases. The weighted average incremental borrowing rate used by the Group at the transition date was 4.7%. The rents taken into account are fixed or variable based on an index or an interest rate. Variable rents do not give rise to the calculation of a lease liability.

In application of these provisions, the information for the 2018/2019 fiscal year presented as comparison with the information for the 2019/2020 fiscal year has not been restated.

On the transition date, right-of-use assets were recognised in an amount equal to that of the lease liability or, as permitted by the standard, by determining their carrying amount as if the standard had been applied since the most recent of the inception date of the lease or the date of takeover of the entity/activity carrying the lease within the meaning of IFRS 3, and then discounting it using its incremental borrowing rate at the date of first-time application. This option was used for the most material leases. The Group has also decided to make use of the exemptions permitted by the standard for short-term leases (less than 12 months) or for low-value assets.

In addition, the following simplification measures offered by IFRS 16 were applied in the transition:

- The discount rates applied as of the transition date were based on the Group's incremental borrowing rate plus a spread to take into account the specific economic environments of each country;
- The Group used the benefit of experience to determine the term of lease agreements containing extension or termination options.

The application of IFRS 16 required the exercise of judgement, particularly with regard to:

- The definition of a lease;
- The determination of the lease term, which takes into account the exercise of termination or renewal options when the Group is reasonably certain of exercising them; the terms adopted take into account the decisions of the IFRIC at the end of 2019 concerning the assessment of the lease term based on an economic (as opposed to strictly legal) approach, as well as its interaction with any non-removable fixtures and fittings linked to it;
- The determination of the incremental borrowing rate, which was calculated taking into account residual lease terms on the date of first-time application.

For the Group's leases as lessor, the analysis carried out ahead of the transition caused the Group to classify them as finance leases. This classification resulted in the derecognition of the right-of-use asset relating to the main lease and the recognition of the net investment in the sublease as a financial receivable. Sublease agreements result in the recognition of financial income corresponding to the effect of discounting.

The Group's accounting policies relating to leases, updated as a result of the application of IFRS 16, are presented in Note 4.9. A reconciliation of total commitments under operating leases as of 31 July 2019 and lease liabilities recognised as of 1 August 2019 was performed as follows:

In €k	Amounts
<b>Amount of the off-balance sheet commitment as of 31/07/2019</b>	<b>27,739</b>
- Low-value leases	(109)
- Effect of discounting	(16,665)
+ Difference related to the term (consideration of renewal or termination options)	77,436
+/- Other	1,477
<b>Amount of the opening lease liability (01/08/2019)</b>	<b>89,879</b>

The impacts of IFRS 16 on the opening balance sheet are as follows:

Assets	31/07/2019	Application of IFRS 16	01/08/2019
Goodwill	171,430	45,218	216,648
Trademarks	657,065		657,065
Intangible assets	60,602	(55,654)	4,948
Property, plant and equipment	17,024	(5)	17,019
Right-of-use assets		67,463	67,463
Other financial assets	13,150		13,150
Long-term sublease receivables		16,743	16,743
Deferred tax assets	2,482	2,622	5,105
<b>Non-current assets</b>	<b>921,753</b>	<b>76,388</b>	<b>998,141</b>
Inventories	27,892		27,892
Trade receivables	60,699		60,699
Other current assets	82,680	(1,161)	81,520
Short-term sublease receivables		2,772	2,772
Cash and cash equivalents	35,743		35,743
Assets held for sale			
<b>Current assets</b>	<b>207,014</b>	<b>1,611</b>	<b>208,625</b>
<b>Total assets</b>	<b>1,128,767</b>	<b>77,999</b>	<b>1,206,766</b>

Equity and liabilities	31/07/2019	Application of IFRS 16	01/08/2019
Share capital	233,532		233,532
Other reserves	(4,330)	(7,621)	(11,951)
Net income for the period	6,804		6,804
Other comprehensive income	(238)		(238)
<b>Total equity</b>	<b>235,767</b>	<b>(7,621)</b>	<b>228,146</b>
Non-current borrowings	612,594		612,594
Non-current lease liabilities		74,517	74,517
Deferred tax liabilities	122,109	(3,512)	118,597
Employee benefits and similar	2,347		2,347
Non-current provisions	4,639		4,639
<b>Non-current liabilities</b>	<b>741,689</b>	<b>71,005</b>	<b>812,694</b>
Current borrowings	3,169		3,169
Current lease liabilities		15,361	15,361
Current provisions	80		80
Trade payables	44,294	(744)	43,550
Derivative financial liabilities	560		560
Tax payable	1,361		1,361
Other current liabilities	101,847	(2)	101,845
<b>Current liabilities</b>	<b>151,311</b>	<b>14,615</b>	<b>165,926</b>
<b>Total equity and liabilities</b>	<b>1,128,767</b>	<b>77,999</b>	<b>1,206,766</b>

The impacts of the first-time application of IFRS 16 on the opening balance sheet are:

- recognition of right-of-use assets and lease liabilities;
- reclassification of lease incentives and leasehold rights as an increase in right-of-use assets;
- reclassification of prepaid rents as an increase in right-of-use assets;
- reclassification of right-of-use assets as financial receivables in the case of subleases granted over the residual term of the relevant leases.

In addition, as part of the transition to IFRS 16, the Group conducted an analysis of leasehold and similar rights, which resulted in a portion of them being reclassified as right-of-use assets and the balance as goodwill. The portion reallocated to goodwill is allocated outside normal accounting to each store in question and will be taken into account in calculating impairment on each of these stores.

#### **4.1.2. Standards, interpretations and amendments to standards published by IASB and approved or in the process of approval by the European Union, the application of which is not yet mandatory as of 31 July 2020**

The Group has elected not to apply in advance the following standards and interpretations. The impact of the application of the following amendments and interpretations on the Group's financial statements is currently being assessed.

- Amendments to IFRS 9, IAS 39 and IFRS 7 in connection with benchmark interbank interest rate reform;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest rate benchmark reform – Phase 2*;
- Amendments to IFRS 3 *Definition of a business*;
- Amendments to IAS 1 and IAS 8 *Definition of material*;
- Amendments to references to the conceptual framework in IFRS standards;
- Amendment to IFRS 16 *COVID-19 rent relief*;
- Amendments to IAS 1 *Classification of liabilities as current or non-current and Classification of liabilities as current or non-current – deferral of effective date*;
- Amendments to IFRS 3 *References to the conceptual framework in IFRS standards*;
- Amendments to IFRS 4 *Extension of the temporary exemption from applying IFRS 9*;
- Amendments to IAS 37 *Onerous contracts – cost of fulfilling a contract*;
- Amendments to IAS 16 *Property, plant and equipment – revenue before intended use*;
- Annual improvements to IFRS: 2018-2020 cycle.

#### **4.2. Basis of consolidation**

---

The consolidated financial statements include the financial statements of acquired entities from the takeover date and those of disposed entities until the date of loss of control.

##### **4.2.1. Consolidated entities**

The Group consolidates entities over which it exercises control, as defined by IFRS 10 *Consolidated Financial Statements*, when it:

- has power over the investee;
- is exposed or has rights to variable returns from its involvement with the investee; and
- has the power to govern the investee's financial and operating policies with a view to obtaining economic benefits.

Reciprocal transactions, assets and liabilities between consolidated companies are eliminated. Income derived from internal transactions with controlled companies is eliminated. The accounting policies of subsidiaries are changed where necessary to ensure consistency of accounting treatment across the Group as a whole.

##### **4.2.2. Associates**

The Group has no interests in joint ventures or associates.

##### **4.2.3. Business combinations**

The Group applies IFRS 3R *Business Combinations*.

Business combinations are accounted for using the purchase method:

- the cost of an acquisition is measured at the fair value of the consideration transferred, including any earn-out payments, at the date of takeover. Subsequent changes in the fair value of an earn-out payment are recognised in profit or loss;



- the difference between the consideration transferred (acquisition price) and the fair value of identifiable assets acquired and liabilities assumed at the date of takeover is represented by goodwill, which is recognised as an asset in the statement of financial position.

The fair value of identifiable assets acquired and liabilities assumed is determined on a provisional basis when the initial assessment or additional analysis is underway on the balance sheet date. Once fair value has been determined, adjustments are recognised as retrospective adjustments to goodwill if they occur within a maximum period of one year from the acquisition date and if they result from facts and circumstances existing as of the acquisition date. Beyond this period, such effects are recognised directly in profit or loss, as is any change in estimates. For each acquisition of an interest of less than 100%, the proportion of share capital not acquired (non-controlling interests) is measured:

- either at fair value: in this case, goodwill is recognised for the portion related to non-controlling interests (full goodwill method);
- or in accordance with its share of the revalued net assets of the acquired entity: in this case, only goodwill in respect of the acquired share is recorded (partial goodwill method).

Costs directly attributable to the acquisition are expensed as incurred, in “Other non-recurring operating income and expenses”. Adjustments or earn-out payments in respect of business combinations are measured at fair value as of the acquisition date. They are recognised either as adjustments to the consideration transferred or through post-acquisition profit or loss depending on their nature under the provisions of IFRS 3.

In a business combination achieved in stages, the interest previously held by the Group in the acquiree is remeasured at the time of the takeover of the business, at fair value through profit or loss. To determine goodwill as of the takeover date, the fair value of the consideration transferred is added to the fair value previously recorded by the Group. The amount of other comprehensive income previously recognised in respect of the interest held prior to the takeover is reclassified to profit or loss.

#### **4.3. Basis of valuation, judgements and use of estimates**

The financial statements have been prepared on a historical cost basis, except for cases where IFRS require or permit the use of the fair value option.

The preparation of financial statements requires the use of estimates and assumptions in determining the value of assets and liabilities, appraising contingent assets and liabilities as of the balance sheet date, and valuing income and expenses for the year. Significant estimates made by the Group in the preparation of the financial statements concern the recoverable amount of goodwill and intangible assets (including trademarks), the measurement of provisions and asset impairment, and the assumptions used for the measurement of debt in accordance with IFRS 16. Due to uncertainties inherent in any valuation process, the Group revises its estimates on the basis of regularly updated information. It is possible that future results could differ from such estimates. The main assumptions and estimates made by the Group are described in specific sections of the notes to the financial statements, and in particular in the following notes:

<b>Note</b>	<b>Estimate</b>	<b>Nature of estimate</b>
Notes 4.7 and 6.2.3.3 and 6.2.4.2	Impairment testing of goodwill, intangible assets, and property, plant and equipment	At the level of individual CGUs Key assumptions used to determine value in use (discount rate, perpetual growth rate, projected cash flows)
Notes 4.12 and 6.2.8	Inventories	Prospective inventory turnover rate used to calculate impairment
Note 4.1.1	IFRS 16	Main assumptions used to determine lease liabilities
Notes 4.15, 6.2.15 and 6.6.3	Notifications, lawsuits and disputes	Valuation of provisions and liabilities relating to corporate income tax
Notes 4.18.2 and 6.1.8.4	Deferred tax	Assumptions used for the recognition of deferred tax assets relating to tax loss carryforwards and temporary differences

#### **4.4. Effects of changes in foreign exchange rates**

---

##### **4.4.1. Accounting for transactions in foreign currencies**

Transactions denominated in foreign currencies are recorded in the relevant entity's functional currency at the exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currencies are translated at each balance sheet date using the closing exchange rate. Foreign exchange differences resulting from the settlement of such items are recognised in "Other financial income" or "Other financial expense". When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, the "exchange rate" component of the said gain or loss is also recognised in other comprehensive income. Otherwise, it is recognised in profit or loss for the period. The treatment of foreign exchange rate hedges in the form of derivatives is described under the heading "Derivatives" in Note 4.11. Non-monetary items in foreign currencies measured at historical cost are translated at the transaction date, and non-monetary items in foreign currencies measured at fair value are translated at the date the fair value was determined.

##### **4.4.2. Translation of the financial statements of foreign companies**

The financial statements of each of the companies consolidated by the Group are prepared in their respective functional currency, defined as the currency of the economic environment in which the entity operates. The financial statements of companies whose functional currency is not the euro are translated into euros as follows:

- items in the statement of financial position are translated into euros based on the exchange rate prevailing on the balance sheet date;
- items in the income statement are translated into euros at the average exchange rate for the period, as long as it is not undermined by significant fluctuations;
- differences resulting from the translation of the statement of financial position as of the balance sheet date and the translation of the income statement using the average exchange rate over the period are recognised in other recyclable comprehensive income under "Currency translation".

#### **4.5. Intangible assets excluding goodwill**

---

An intangible asset is a non-monetary item without physical substance that must be both identifiable and controlled by the company as a result of past events. It must also generate future economic benefits. An intangible asset is identifiable if it is separable from the acquired entity or if it is derived from legal or contractual rights. Intangible assets with determinable useful lives are amortised on a straight-line basis over periods corresponding to their anticipated useful life. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually within the cash-generating unit (CGU) to which they belong. Trademarks are classified as assets with indefinite useful lives in application of the following criteria:

- Their overall positioning in their respective market in terms of business volumes and recognition;
- Prospective long-term profitability.

Licences and software have useful lives of between one and four years, and are amortised over the relevant period.

#### **4.6. Property, plant and equipment**

---

##### **4.6.1. Initial valuation and subsequent measurement**

Items of property, plant and equipment are carried at their historical or production cost or initial consolidation amount, less accumulated depreciation and impairment losses. The carrying amount of property, plant and equipment is not subject to remeasurement, as the Group has not chosen the alternative method allowing the regular remeasurement of one or more categories of property, plant and equipment. The carrying amounts of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

##### **4.6.2. Depreciation**

The Group uses the following depreciation periods for the various items of property, plant and equipment held:

Property, plant and equipment	Useful life	Depreciation method
Buildings	10 to 20 years	Straight line
Industrial machinery and equipment	3 to 10 years	Straight line
Technical equipment under finance leases	3 to 10 years	Straight line
Other property, plant and equipment	3 to 5 years	Straight line

#### **4.7. Impairment of non-current assets (IAS 36)**

Goodwill, intangible assets with indefinite useful lives and CGUs or groups of CGUs containing such items are subject to routine annual impairment testing as of 31 July each year. Impairment testing is also performed when events or circumstances indicate that goodwill, other intangible assets, property, plant and equipment, CGUs or groups of CGUs may be impaired. Such events or circumstances may stem from unfavourable changes affecting either the economic environment or the assumptions or objectives used as of the acquisition date.

Impairment testing serves to determine whether the recoverable amount of an asset or CGU or group of CGUs is less than its carrying amount. The recoverable amount of an asset, CGU or group of CGUs is the greater of its fair value less costs to sell and its value in use. Value in use is determined based on projections of expected future cash flows, taking into account the time value of money and the risks specific to the asset, CGU or group of CGUs. To calculate value in use, a terminal value equal to the capitalisation in perpetuity of normative annual cash flows is added to the value of prospective future cash flows. Fair value less costs to sell is the amount that could be obtained from the sale of the asset or group of assets in an arm's length transaction between knowledgeable, willing parties, less costs to sell. When the recoverable amount of the asset, CGU or group of CGUs is less than its carrying amount, an impairment loss is recognised against the relevant asset or group of assets. In the case of a CGU or group of CGUs, the impairment loss is allocated first to goodwill, where appropriate, and is recorded under "Other non-recurring operating items" in the income statement.

Impairment losses recognised in respect of property, plant and equipment and other intangible assets may be reversed later if the recoverable amount later comes to exceed the carrying amount. Impairment losses recognised in respect of goodwill cannot be reversed.

On the partial disposal of a CGU, the value of goodwill allocated to the partial divestment is measured based on the relative values of the disposed business and the portion of the CGU retained unless another method is deemed more pertinent.

#### **4.8. Operations discontinued, sold or held for sale**

Non-current assets or groups of assets and liabilities are classified as assets held for sale if they are highly likely to be recovered primarily through a sale rather than through continuing use.

Such assets (or groups of assets held for sale) are generally recorded at the lower of carrying amount or fair value less costs to sell. Any impairment loss in respect of a group of assets held for sale is allocated first to goodwill and then to other assets and liabilities in proportion to their carrying amount. Impairment losses resulting from the classification of an asset (or group of assets and liabilities) as held for sale as well as gains and losses on subsequent measurement are recognised in profit or loss.

Once classified as assets held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

Operations discontinued, sold or held for sale are a component of the Group's activities that:

- represents a separate activity or geographical area,
- is part of a single, coordinated plan to dispose of a separate business or geographical area,
- is a subsidiary acquired exclusively for resale.

The classification as a discontinued, sold or held-for-sale business occurs on the date of disposal or at an earlier date when the business meets the criteria to be classified as held for sale.

When an activity is classified as a discontinued operation, the statement of net income and other comprehensive income is restated as if the business had met the criteria for a discontinued operation at the beginning of the comparative period.

#### **4.9. Leases**

---

##### Application of IAS 17 until 31 July 2019:

In the course of its various business activities, the Group uses assets made available or makes assets available under lease arrangements. Such leases are analysed on the basis of the situations and indicators set out in IAS 17 *Leases* to determine whether they are operating or finance leases.

- The Group as lessee
  - Finance leases: on initial recognition, assets held under finance leases are recognised as property, plant and equipment with offsetting debt. The asset is recognised at the fair value of the leased asset at the date of inception of the contract, or, if lower, at the present value of minimum lease payments. It is depreciated over the term of the contract.
  - Operating leases: payments made under operating leases (other than the costs of services such as insurance and maintenance) are expensed in the income statement on a straight-line basis over the term of the lease.
- The Group as lessor
  - All lease management contracts signed by the Group with its franchisees are operating leases. Rental income is recognised on a straight-line basis over the fixed terms of commercial leases.

##### Application of IFRS 16 since 1 August 2019:

- The Group as lessee

Leases giving the lessee control over the use of an identified asset for a given period in exchange for consideration fall within the scope of IFRS 16. The Group's lessee companies recognise all leases, regardless of their nature, whether operating or finance leases, in the form of a right-of-use asset in exchange for a lease liability on the liability side of the balance sheet.

The lease liability is initially determined on the basis of the present value of future lease payments, discounted at the interest rate implicit in the lease if that rate is readily available or at the incremental borrowing rate specific to the country, terms and currency of the lease. Lease payments include fixed payments, variable payments based on a benchmark or rate and payments arising from options that are reasonably certain to be exercised.

After the initial measurement, the lease liability is reduced by the payments made and increased by the interest expense. It is remeasured to reflect any change in future lease payments in the event of further negotiations with the lessor, a change in a benchmark or rate, or if options are reassessed. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or recognised in profit or loss if the carrying amount of the right-of-use asset has already been reduced to zero in the case of a reduction in the scope of leases.

The right-of-use asset determined at the outset includes the initial lease liability, the initial direct costs, any leasehold rights and any obligations to renovate the asset, less any incentives granted by the lessor.

Right-of-use assets are depreciated over the term of the lease. In the income statement, depreciation expense is recognised in operating profit or loss, and interest expense in financial income or expense. The tax impact of this consolidation restatement is taken into account through the recognition of deferred taxes.

The lease term used corresponds to the non-cancellable period, to periods covered by an extension option whose exercise is reasonably certain, and to periods covered by a termination option whose non-exercise is reasonably certain, taking into account the economics of the lease (and not only the legal characteristics), as well as the impact of any non-removable fixtures and fittings related to the lease that could constitute an incentive to exercise a renewal option.

The Group applies the exemptions permitted by IFRS 16 for leases with a term of less than 12 months or where the underlying asset is of low value (less than €5,000).

➤ The Group as lessor

The Group has leases that are subleased to third parties (mainly franchisees). As lessor, the Group classifies its leases as operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and otherwise as an operating lease.

For finance leases, the Group recognises the amount of the net investment as a financial receivable and derecognises the right-of-use asset of the related lease. Any difference between the right-of-use asset and the net investment in the sublease agreement is recognised in profit or loss. The lease liability of the main lease is maintained as a liability.

A lease is classified as an operating lease if the classification criteria (described above) are not met. For operating leases, the lease payments are recognised in the income statement on a straight-line basis over the term of the lease.

#### **4.10. Other financial assets and liabilities**

---

In accordance with the principles of IFRS 9 *Financial Instruments*, financial assets are recognised and measured either at amortised cost, at fair value through equity or at fair value through profit or loss based on the following two criteria:

- an initial criterion relating to the characteristics of the contractual cash flows of each instrument. The analysis of the characteristics of the contractual cash flows aims to determine whether these flows are solely payments of principal and interest on the outstanding principal (the so-called SPPI test);
- a second criterion relating to the business model used by the company to manage its financial assets. IFRS 9 defines three different business models: (i) a first business model whose objective is to hold assets in order to collect contractual cash flows, (ii) a second model whose economic objective is achieved both by collecting contractual cash flows and by selling financial assets, and (iii) "other" business models.

Identifying the business model and analysing the characteristics of the contractual cash flows involves judgement to ensure that financial assets are classified in the appropriate category.

Where the financial asset is an investment in an equity instrument and is not held for trading, the Group may make an irrevocable election to present the gains and losses on this investment in other comprehensive income.

With the exception of trade receivables, which are measured in accordance with their transaction price within the meaning of IFRS 15, financial assets are, upon initial recognition, measured at fair value plus, in the case of a financial asset that is not measured at fair value through profit or loss, transaction costs directly attributable to their acquisition.

At each balance sheet date, financial assets measured at amortised cost or at fair value through equity (recyclable) are subject to impairment testing based on the method used to estimate expected credit losses.

Financial assets also include derivative financial instruments that are valued at fair value in accordance with the standards.

#### **4.11. Derivatives**

---

In the course of its business, the Group may use various financial instruments to reduce its exposure to foreign exchange and/or interest rate risk. All derivatives are recognised in the balance sheet in other current or non-current assets and liabilities, depending on their maturity and accounting classification, and carried at fair value as of the transaction date. Change in the fair value of derivative instruments is always recognised in profit or loss, except when hedge accounting is applied.

Hedge accounting is only applied if the following conditions are met:

- a hedging relationship is clearly identified, formalised and documented from the date of its inception;
- the effectiveness of the hedging relationship is demonstrated prospectively and retrospectively. Confidence in the results obtained must be within a range of 80% to 125%.

Financial instruments classified as hedging instruments are measured in the balance sheet at their fair value. The effective portion is recognised in other comprehensive income, and the ineffective portion in profit or loss.

#### **4.12. Inventories**

---

Inventories in the balance sheet cover inventories of eyeglass frames, contact lenses and contact-lens products (held as part of the Group's central purchasing activity), and the inventories of directly owned stores (consisting of eyeglass frames, eyeglass lenses, contact lenses and other products).

Inventories are valued at their weighted average purchase price. Inventories are impaired to cover any unsold items so as to align them with their realisable values.

Inventories held in stores are subject to impairment, in accordance with the following rules:

- 20% for products unsold for more than one year
- 40% for products unsold for more than two years
- 80% for products unsold for more than three years
- 100% for products whose vendors have ceased trading and trademarks that are no longer marketed.

#### **4.13. Other current assets and liabilities**

---

##### **4.13.1. Trade receivables and other current assets**

Trade receivables are carried at amortised cost. Receivables relating to the central payment and purchasing activities are included in "Other current assets". Impairment is recognised when the outstanding carrying amount exceeds the recoverable amount. Other current assets chiefly include receivables in respect of the central payment activity, including franchisees' payments for their purchases from the referenced suppliers, as well as the discounts granted by such suppliers to franchisees, to be passed on to franchisees. Impairment is recognised when the outstanding carrying amount exceeds the recoverable amount.

##### **4.13.2. Trade payables and other current liabilities**

Trade payables in respect of overheads and communication and sponsorship expenses are recorded at amortised cost. Other current liabilities chiefly include payables in respect of the central payment activity, including future settlements to suppliers of franchisees, as well as any discounts granted by such suppliers, to be passed on to franchisees.

#### **4.14. Cash and cash equivalents**

---

Cash includes cash in bank current accounts and demand deposits. Cash equivalents consist of investments maturing in less than one year from the date of acquisition that are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, held in order to meet short-term cash commitments. Overdrafts are recorded as current borrowings. In the consolidated statement of cash flows, "Cash and cash equivalents" corresponds to the amount presented in assets in the balance sheet less bank overdrafts, presented in financial liabilities.

#### **4.15. Provisions and contingent liabilities**

---

A contingent liability is:

- a possible obligation arising from past events and whose existence will be confirmed only by the occurrence (or not) of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation arising from past events but which is not recognised because:



- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

A provision is recognised when the Group has a probable obligation arising from past events, the settlement of which is expected to lead to an outflow of Group resources without an equivalent or greater incoming amount that can be estimated reliably. Identified risks of all types, including operational and financial, are subject to quarterly monitoring to determine the amount of provisions necessary. A provision for vacant retail space is recorded when a retail space is unoccupied over the residual term of the lease (including rental expenses, taxes and related expenses), less any sublease income.

#### **4.16. Employee benefits and similar**

---

Group companies contribute, in accordance with the laws and customs of each country, to various types of benefits available to their employees. Under defined contribution plans, the Group has no obligation to make additional payments over and above the contributions already paid into a fund if the said fund does not have sufficient assets to pay benefits corresponding to services rendered by employees during the current or prior periods. Contributions to such plans are expensed as incurred. This is notably the case for the French entities in respect of statutory pension schemes.

Under defined benefit plans, obligations are measured using the projected unit credit method on the basis of agreements or arrangements in force in each company. Under this method, each period of service gives rise to an additional unit of benefit entitlement, and each unit is measured separately to obtain the final obligation. This obligation is then discounted. The actuarial assumptions used to determine the obligations vary depending on the economic conditions prevailing in the country in which the plan is established. The biggest such plans and termination payments are subject to an actuarial valuation by independent actuaries every year; valuations are performed at regular intervals for other plans. These valuations take into account the level of future compensation, the probable length of employment, life expectancy and staff turnover.

Actuarial gains and losses result from changes in assumptions and the difference between estimated results based on actuarial assumptions and actual results. Actuarial gains and losses relating to defined benefit plans are recognised immediately in other comprehensive income.

Expenses relating to this type of plan are recognised in income from ordinary activities. Reductions, settlements and past service costs are recognised in income from ordinary activities. The provision recognised in the balance sheet represents the present value of the obligations calculated net of the fair value of plan assets.

#### **4.17. Borrowings**

---

##### **4.17.1. Loans and other financial liabilities**

The measurement of financial liabilities depends on their classification under IFRS 9 *Financial Instruments*. Within the Group's borrowings, trade payables and other payables are initially recognised at fair value less transaction costs, and subsequently at amortised cost using the effective interest rate method. The effective interest rate is determined for each transaction. It is the rate that provides the net carrying amount of a financial liability by discounting projected future cash flows paid until maturity or until the closest date to repricing at the market rate. This calculation includes related transaction costs and all premiums and/or discounts. Transaction costs are costs that are directly attributable to the acquisition or issuance of a financial liability.

Financial liabilities classified as hedged items in hedging relationships at fair value and measured at amortised cost are subject to an adjustment to their net carrying amount in respect of the hedged risk. Hedging relationships are described in Note 4.11 "Derivatives". Financial liabilities designated using the fair value option, other than derivative liabilities, are measured at fair value. Changes in fair value are recognised in profit or loss. Transaction costs related to the implementation of such financial liabilities are expensed as incurred.

##### **4.17.2. Compound instruments**

Some financial instruments comprise both a debt component and an equity component. This is notably the case for convertible bonds. The various components of these instruments are recognised in shareholders' equity and in loans and financial liabilities, on the basis of their respective weighting, in accordance with IAS 32 *Financial Instruments: Presentation*. Debt components are measured at issuance. Their measurement corresponds to the value of the future cash flows (including interest and redemption), discounted at the market rate (taking into account the credit risk at issuance and the level of subordination) of a similar instrument with the same conditions (maturity, cash flows), but not convertible into or redeemable for shares. The portion recognised in equity is calculated as the difference between the amount of the issue and the debt component. The effective interest rate is the rate that discounts the expected disbursements over the term of the loan in order to obtain the carrying amount of the portion of the loan recorded in borrowings.

#### **4.18. Taxes**

---

##### **4.18.1. Current taxes**

The Group calculates its income tax in accordance with the tax laws in force in the countries where its income is taxable. The Group recognises the corporate value added tax (*cotisation sur la valeur ajoutée des entreprises* – CVAE), based on the value added resulting from the company financial statements, on the "Income tax expense" line in the consolidated statement of comprehensive income.

##### **4.18.2. Deferred tax**

In accordance with IAS 12 *Income Taxes*, deferred taxes are recognised on temporary differences between the carrying amounts of assets and liabilities and their taxable amounts. Under the liability method, they are calculated based on the expected tax rate for the year in which the asset is liquidated or the liability settled. The effects of changes in tax rates from one year to another are recognised in profit or loss for the year in which the change occurs. Deferred tax relating to items recognised directly in equity is also recognised directly in equity.

A deferred tax liability is recognised in respect of temporary differences relating to investments in subsidiaries unless the Group is able to control the date on which the temporary difference is reversed, or if the temporary difference will not be reversed in the foreseeable future.

Deferred tax assets arising from temporary differences, tax-loss carry-forwards and tax credits are limited to the estimated amount of tax whose recovery is deemed probable. This probability is assessed at the end of the year, based on earnings forecasts for the various fiscal entities. Deferred tax assets and liabilities are not discounted.

#### **4.19. Balance sheet presentation – Current/Non-current**

---

For the majority of the Group's activities, it has been decided that the criterion for this classification is the date of liquidation of the asset or settlement of the liability: current if less than 12 months and non-current if more than 12 months.

#### **4.20. Revenue recognition**

---

The Group's revenue is derived mainly from the following products and services:

- Network sales revenues: entry fees of new franchisees; franchise and communication fees charged to franchisees. Revenue is recognised as and when control of the service is transferred over the duration of the franchise agreement; revenue in the form of fees is recognised on the date on which the underlying sale occurs.
- Network sales revenues: sales to franchisees of lenses, contact lenses and frames through the Group's central purchasing structure. These sales of products trademarked ALAIN AFFLELOU are recognised on the date of transfer of control to exclusive distributors and franchisees. Referral,



delcredere and distribution commissions to referenced suppliers and finder's fees are accounted for as and when sales are made.

- Revenues from directly owned stores: retail sales of directly owned stores operating under the "ALAIN AFFLELOU" and "OPTICAL DISCOUNT" banners, and sales resulting from the "ALAIN AFFLELOU ACOUSTICIEN" hearing aid activity. Revenue is recognised on the date of transfer of control.

The Group's revenue is reported net of guarantees and discounts granted.

#### **4.21. Cost of purchases**

---

The cost of the Group's purchases includes the supply cost of goods sold, namely:

- The cost of purchasing and supplying eyeglass frames
- The cost of purchasing and supplying eyeglass lenses
- The cost of purchasing and supplying contact lenses
- The purchasing cost of accessories and other goods
- Change in inventories of all of the above purchases
- The direct cost of communication

#### **4.22. Operating income from ordinary activities and other non-recurring operating items**

---

Operating income from ordinary activities includes all income and expenses resulting directly from the Group's activities, whether such income is recurring or stems from one-off decisions or transactions. To facilitate the reading of the income statement and the Group's performance, unusual and significant items for the consolidated group are recorded under "Other non-current operating items". Other operating income and expenses, excluded from operating income from ordinary activities, notably include:

- restructuring costs and costs relating to employee retraining measures;
- impairment losses on fixed assets, which are recognised primarily following impairment testing of cash-generating units (CGU) and goodwill;
- capital gains or losses resulting from changes in the scope of consolidation and acquisitions or disposals of tangibles and intangibles assets;
- major disputes.

These items, excluded from operating income due to their nature, amount or frequency, cannot be considered as part of operating income from the Group's ordinary activities, and correspond to major events that are both limited in scope and very unusual.

#### **4.23. Operating profit**

---

Operating profit includes all income and expenses resulting directly from the Group's activities, whether such income is recurring or stems from one-off decisions or transactions, as well as unusual and significant items for the consolidated group, which are recorded under "Other non-recurring operating items".

### **5. Segment reporting**

---

#### **5.1. Organisation of the Group by geographical operating segments**

---

The Group breaks its segment reporting down by geography into three areas, namely "France", "Spain" and "Other countries". The "France" and "Spain" segments both include a franchisor activity with a central purchasing unit, a central listing and payment unit, and directly owned stores. The "France" segment also includes an audio business operated under a master franchise agreement. The Group has replicated the established organisation of its French operations in Spain, and aims ultimately to repeat this process in the "Other countries" segment. The "Other countries" segment notably includes Belgium, Switzerland and Portugal. This segment includes a central purchasing unit in Belgium, and has only a few directly owned stores, in Portugal.

The segment reporting presented here was prepared on the basis of the internal reporting data reviewed by the Chairman and CEO, the Group's "chief operating decision maker" within the meaning of IFRS 8, who analyses the performance of the various segments and allocates resources between them.

Assessment of the Group's results is performed in reference to key financial indicators related to business performance. Alongside the main headings of the consolidated income statement, the key financial indicators used to measure segment performance are adjusted EBITDA and adjusted EBIT. These two indicators are Alternative Performance Indicators defined in the last section of this note, and are reconciled with operating income from ordinary activities.

Within the Group's segment reporting by geographical area, two companies are naturally classified in "Other countries":

- The trading company specialising in exclusive eyeglass frames, based in Switzerland (AAB);
- The Luxembourg franchisor company (AAI), which holds international supplier contracts for the entire Group.

The trading activity (AAB) and international supplier contract activity (AAI) impact the entire Group. The geographical location in which they are legally based does not necessarily imply an exclusive activity in the "Other countries" segment. To facilitate the readability of the results, the Group has decided to allocate the results of these trading and supplier contract activities across all three segments, using the following allocation key:

- The result of the AAB trading branch in Switzerland is reallocated on the basis of the originating country of franchisees in proportion to the number of exclusive eyeglass frames delivered during the year;
- Commissions earned on the Group's international supplier contract activity and recognised as revenue by the AAI international franchisor subsidiary are reallocated by country of origin in proportion to the purchasing volumes of the relevant suppliers.

The chief operating decision maker does not review a geographical breakdown of information regarding the Group's assets and liabilities. Information on the Group's various activities and services is provided in Note 1.2, Note 4.20 on revenue recognition and Note 6.1.1 on revenue by activity.

(in thousands of euros)	31 July 2020 incl. IFRS 16 (12 months)	IFRS 16	31/07/2020 excl. IFRS 16 (12 months)	31/07/2019 excl. IFRS 16 (12 months)
France	232,921		232,921	280,761
Spain	64,343		64,343	77,409
Other countries	11,971		11,971	14,820
<b>Revenue</b>	<b>309,235</b>		<b>309,235</b>	<b>372,990</b>
France	56,817	10,040	46,777	69,461
Spain	12,799	4,515	8,283	12,098
Other countries	1,001	439	562	2,279
<b>EBITDA</b>	<b>70,616</b>	<b>14,994</b>	<b>55,622</b>	<b>83,838</b>
France	(12,451)	(8,831)	(3,621)	(7,010)
Spain	(4,979)	(3,513)	(1,466)	(1,896)
Other countries	(485)	(417)	(69)	(752)
<b>Depreciation, amortisation and impairment</b>	<b>(17,916)</b>	<b>(12,761)</b>	<b>(5,155)</b>	<b>(9,658)</b>
France	44,033	1,210	42,823	62,889
Spain	7,852	1,002	6,850	10,182
Other countries	515	22	493	1,527
<b>EBIT</b>	<b>52,401</b>	<b>2,234</b>	<b>50,167</b>	<b>74,598</b>
France	816,620	42,830	773,789	779,204
Spain	126,034	17,119	108,915	109,156
Other countries	18,607	1,186	17,420	17,761
<b>PP&amp;E and intangible assets</b>	<b>961,260</b>	<b>61,136</b>	<b>900,125</b>	<b>906,121</b>

## 5.2. Reconciliation of adjusted EBIT and adjusted EBITDA with operating income from ordinary activities

Adjusted EBIT is defined as operating income from ordinary activities as presented in the Group's consolidated financial statements before the impact of shareholders' management fees and management bonuses.

Adjusted EBITDA is defined as operating income from ordinary activities as presented in the Group's consolidated financial statements, less depreciation and amortisation of property, plant and equipment and intangible assets, changes in provisions for trade receivables and inventories, and shareholders' management fees and management bonuses.

They are calculated as follows:

(in thousands of euros)	31/07/2020 (12 months)	31/07/2019 (12 months)
Operating income from ordinary activities	49,937	73,548
Shareholders' management fees	1,200	1,050
Management bonuses	1,264	
<b>Adjusted EBIT</b>	<b>52,401</b>	<b>74,598</b>
Amortisation of intangible assets	3,238	2,638
Depreciation of property, plant and equipment	6,164	5,357
Provisions for depreciation of right-of-use assets on PP&E (IFRS 16)	12,761	
Change in customer provisions and inventories	(3,947)	1,245
<b>Adjusted EBITDA</b>	<b>70,616</b>	<b>83,838</b>

Adjusted EBIT includes IFRS 16 restatements, namely:

- the cancellation of lease payments in the amount of €14,994 thousand;
- the recognition of depreciation and amortisation expenses in the amount of €(12,761) thousand.

### 5.3. Discontinued operations

Management undertook a plan to dispose of the entire Optimil business during the fiscal year ended 31 July 2018 as part of a strategic decision to refocus the Group on its key areas of expertise. This transaction was finalised in October 2018. In addition, as of 31 July 2018, the Optivisao securities were classified as assets held for sale with no impact on the income statement. The group sold its stake in the year ended 31 July 2019; the receivable resulting from that transaction will be settled in 2021. These two transactions were classified as discontinued operations in fiscal 2018.

#### 5.3.1. Net income of discontinued operations

(in thousands of euros)	31/07/2020 (12 months)	31/07/2019 (12 months)
Revenue		119
Cost of purchases		(476)
Wages and salaries including social security contributions		(68)
Other purchases and external expenses	(52)	(118)
Duties and taxes other than income tax	(2)	(6)
Depreciation, amortisation and impairment	235	395
<b>Operating income from ordinary activities</b>	<b>182</b>	<b>(154)</b>
Other non-recurring operating items	67	190
<b>Operating profit</b>	<b>248</b>	<b>(344)</b>
Financial income	173	11
Borrowing costs		4
Other financial expenses	(224)	(88)
<b>Net financial income/(expense)</b>	<b>(51)</b>	<b>(72)</b>
<b>Net income before tax of consolidated companies</b>	<b>198</b>	<b>(416)</b>
Tax income/(expense)	(49)	(786)
<b>Net income of discontinued operations</b>	<b>148</b>	<b>(1,202)</b>

### 5.3.2. Impact of discontinued operations on the indicator monitored by management

(in thousands of euros)	31/07/2020 (12 months)	31/07/2019 (12 months)
Operating income from ordinary activities	182	(154)
Amortisation of intangible assets		5
Depreciation of property, plant and equipment		1
Change in customer provisions and inventories	(168)	(401)
<b>Adjusted EBITDA</b>	<b>13</b>	<b>(549)</b>

## 6. Notes to the consolidated financial statements

### 6.1. Notes to the income statement

#### 6.1.1. Revenue

(in thousands of euros)	31/07/2020 (12 months)	31/07/2019 (12 months)
Network sales revenue	84,822	98,974
Network purchases revenue	135,835	162,371
Revenue from directly owned stores	88,577	111,645
<b>Consolidated revenue</b>	<b>309,235</b>	<b>372,990</b>

The breakdown of revenue into categories of activity is as follows:

(in thousands of euros)	31/07/2020 (12 months)	31/07/2019 (12 months)
Optical revenue	302,429	365,189
Audio revenue	6,806	7,801
<b>Consolidated revenue</b>	<b>309,235</b>	<b>372,990</b>

#### 6.1.2. Wages and salaries including social security contributions

(in thousands of euros)	31/07/2020 (12 months)	31/07/2019 (12 months)
Wages	(37 911)	(39,612)
Social security contributions	(15 055)	(15,665)
Research tax credit	256	455
Competitiveness and employment tax credit (CICE)		379
Employee profit sharing	(1,399)	(1,377)
<b>Wages and salaries including social security contributions</b>	<b>(54,109)</b>	<b>(55,820)</b>

- The research tax credit (*crédit d'impôt recherche* – CIR) was recorded as a reduction in expenses in the amount of €384 thousand in the year ended 31 July 2020 (€256 thousand as a reduction in personnel expenses and €129 thousand as a reduction in other purchases and external expenses). In the year ended 31 July 2019, the reduction in expenses was €731 thousand (€455 thousand as a reduction in personnel expenses and €276 thousand as a reduction in other purchases and external expenses).
- The competitiveness and employment tax credit (*crédit d'impôt pour la compétitivité et l'emploi* – CICE) was recorded as a reduction in personnel expenses in the amount of €379 thousand in the year ended 31 July 2019. The CICE tax credit was abolished as of 1 January 2020 and replaced mainly by a reduction in employer contributions.

### 6.1.3. Workforce at year-end

Workforce	31/07/2020 (12 months)	31/07/2019 (12 months)
France	683	686
Spain	488	547
Other countries	44	51
<b>Workforce</b>	<b>1,215</b>	<b>1,284</b>

### 6.1.4. Other purchases and external expenses

(in thousands of euros)	31/07/2020 (12 months)	31/07/2019 (12 months)
Rental fees and related costs	(1,756)	(17,904)
Outsourcing, fees and miscellaneous services	(12,053)	(12,461)
Maintenance and repair expenses	(2,708)	(2,981)
Other purchases	(7,837)	(7,722)
<b>Other purchases and expenses</b>	<b>(24,353)</b>	<b>(41,069)</b>

The change in rental fees and related costs mainly reflects the restatement of lease expenses in the amount of €14,994 thousand due to the application of IFRS 16.

### 6.1.5. Depreciation, amortisation and impairment

(in thousands of euros)	31/07/2020 (12 months)	31/07/2019 (12 months)
Amortisation of intangible assets	(3,238)	(2,638)
Depreciation of property, plant and equipment	(6,164)	(5,357)
Provisions for depreciation of right-of-use assets on PP&E (IFRS 16)	(12,761)	
Additions/Reversals – Prov. for trade receivables and inventories	3,947	(1,245)
Additions/Reversals – Provisions for retirement benefits	35	(146)
Additions/Reversals – Current provisions for risks and charges	264	(272)
<b>Depreciation, amortisation and impairment</b>	<b>(17,916)</b>	<b>(9,658)</b>

The change in depreciation and amortisation and provisions mainly reflects depreciation of right-of-use assets in the amount of €(12,761) thousand due to the application of IFRS 16.

### 6.1.6. Other non-recurring operating items

(in thousands of euros)	31/07/2020 (12 months)	31/07/2019 (12 months)
Capital gains/(losses) on asset disposals, net of reversals of impairment on disposals and closures	301	(1,913)
Additions/Reversals of provisions for asset impairment, excluding reversals on disposals and closures	(1,349)	(2,123)
Additions/Reversals of non-current provisions for risks and charges	(66)	(160)
Other	(703)	(4,483)
<b>Other non-recurring operating items</b>	<b>(1,816)</b>	<b>(8,679)</b>

Capital gains/(losses) on disposal include the transfer of LOA and AAO leasehold rights recognised over the period and the impact of store closures, deconsolidated during the year.

Provisions and reversals of provisions for asset impairment mainly include goodwill impairment (see Note 6.2.2). As of 31 July 2019, this item also includes a €535 thousand impairment of the MALENTILLE trademark.

The Other line primarily includes:

- for the year ended 31 July 2020: donation of masks to the Regional Health Authority (ARS) in the amount of €396 thousand.

- for the year ended 31 July 2019: costs related to the aborted €1,890 thousand refinancing plan.

#### 6.1.7. Net financial income/(expense)

(in thousands of euros)	31/07/2020 (12 months)	31/07/2019 (12 months)
Income from other investments	239	348
Financial income on finance lease receivables - IFRS 16	1,126	
Other financial income	472	336
Reversals of financial provisions	2,001	1,524
<b>Financial income</b>	<b>3,839</b>	<b>2,208</b>
Interest on convertible bonds	(34,341)	(34,868)
Interest on other bonds (high yield)	(17,885)	(18,210)
Financial expense on lease liabilities	(3,892)	
Other financial expense	(1,834)	(794)
<b>Gross borrowing costs</b>	<b>(57,953)</b>	<b>(53,871)</b>
Financial provisions	(1,721)	(1,451)
Other financial expense - IFRS 16	(6)	
Miscellaneous financial expense	(1,911)	(2,315)
<b>Financial expense</b>	<b>(61,590)</b>	<b>(57,637)</b>
<b>Net financial income/(expense)</b>	<b>(57,752)</b>	<b>(55,429)</b>

Financial income of €3,839 thousand in the year ended 31 July 2020 was derived chiefly from reversal of financial provisions interest on vendor loans, application fees and interest on advances to franchisees, as well as foreign exchange gains. In the year ended 31 July 2019, financial income amounted to €2,208 thousand and was of the same nature.

The miscellaneous financial expense of €1,911 thousand reported in the year ended 31 July 2020 related chiefly to foreign exchange losses. In the year ended 31 July 2019, the miscellaneous financial expense amounted to €2,315 thousand and was of the same nature.

(in thousands of euros)	31/07/2020 (12 months)	31/07/2019 (12 months)
<b>Gross borrowing costs</b>	<b>(57,953)</b>	<b>(53,871)</b>
Capitalised interest expense	34,341	34,868
Financial expense on lease liabilities	3,892	
Accrued interest not yet due	1,051	891
<b>Net interest paid</b>	<b>(18,669)</b>	<b>(18,113)</b>

(in thousands of euros)	31 July 2020 (12 months)
<b>Gross borrowing costs after IFRS 16</b>	<b>(3,892)</b>
Accrued interest not yet due on lease liabilities	378
<b>Interest paid on lease liabilities</b>	<b>(3,514)</b>

#### 6.1.8. Income tax

##### 6.1.8.1. Tax group

A tax group agreement was applied during the fiscal year between AFFLELOU and the following companies: 3ABOD, ALAIN AFFLELOU FRANCHISEUR, 3ABOE, OPTICAL FINANCE, LOA and LSFA. It does not provide for the reallocation to loss-making subsidiaries of tax savings generated by the parent company and its French subsidiaries. The parent keeps such tax savings. In Spain, the tax group comprises ALAIN AFFLELOU ESPANA, AAO OPTICO, AA LATAM, OPTICAL FINANCE ESPANA and ALAIN AFFLELOU AUDIOLOGO.

#### 6.1.8.2. Income tax

Tax proof	31/07/2020 (12 months)	31/07/2019 (12 months)
Consolidated profit before tax	(9,631)	9,441
Theoretical tax rate	34.43%	34.43%
<b>Theoretical Group tax</b>	<b>3,316</b>	<b>(3,251)</b>
Effect of differences in tax rate	212	412
Tax losses created but not capitalised during the period	(257)	(517)
Capitalisation of tax losses not generated during the period	0	7,275
Effect of DT liability method	61	(5)
Non-deductible interest	(3,570)	(4,553)
Other permanent differences	(62)	85
French corporate value added tax (CVAE)	(920)	(1,134)
Tax credits	166	252
<b>Income tax expense recognised</b>	<b>(1,053)</b>	<b>(1,435)</b>
of which current tax	(2,692)	(3,576)
of which deferred tax	1,639	2,141
Average effective tax rate	-10.94%	15.20%

(1) The tax expense recognised in fiscal 2020 and 2019 has been adjusted for the tax expense of discontinued operations in the amounts of €(49) thousand and €(786) thousand respectively.

#### 6.1.8.3. Current tax

(in thousands of euros)	01/08/2019 (12 months)	Impact in net income	Working capital flows	Change in scope and forex rates	31/07/2020 (12 months)
Current tax receivables	2,455	0	1,397	(349)	3,503
Current tax liabilities	1,361	0	(220)	(51)	1,090
<b>Current tax</b>	<b>(1,094)</b>	<b>0</b>	<b>(1,617)</b>	<b>298</b>	<b>(2,413)</b>

#### 6.1.8.4. Deferred tax

(in thousands of euros)	31/07/2019	IFRS 16	Impact in net income	OCI	Change in scope	Other move- ments	31/07/2020
Tax loss carryforwards	63,060		2,326				65,387
Elimination of intragroup provisions	(334)		(377)				(711)
Security acquisition costs	2,189		(1)				2,188
Retirement provisions	630		(9)	25	(3)		643
Employee profit sharing	377		44				420
Financial instruments	(11,892)		(135)	1			(12,026)
Fair value remeasurement of trademarks and other intangible assets <sup>(1)</sup>	(178,604)	8,612	1		11		(169,980)
Regulated provisions	(4,797)		(39)				(4,836)
Impairment of intangible assets	7,206	(5,100)	250				2,356
Staggering of entry fees	331		(15)				316
IFRS 16		2,622	141				2,763
Other temporary differences	2,207		(596)	(7)	8	298	1,909
<b>Net deferred tax</b>	<b>(119,627)</b>	<b>6,135</b>	<b>1,590</b>	<b>18</b>	<b>16</b>	<b>298</b>	<b>(111,571)</b>
Balance sheet presentation:							
Deferred tax assets	2,482	6,135	(1,855)	25	16	298	7,100
Deferred tax liabilities	(122,109)		3,444	(6)			(118,671)

<sup>(1)</sup> The fair value remeasurement of trademarks and other intangible assets results from the allocation to trademarks and other intangible assets of business combinations performed by the Group.

Deferred tax assets representing tax losses are not recognised in the following situations:

- When they relate to companies outside the tax group that have been loss-making for several years and for which a return to profit is not deemed likely in the near future.
- When they relate to tax losses that are unlikely to be used in view of the earnings outlooks of the companies in question and the information available as of the date of the financial statements.

As of the balance sheet date, the stock of unrecognised tax losses was as follows:

(in thousands of euros)	31/07/2020		31/07/2019	
	Tax losses	Amount of tax	Tax losses	Amount of tax
<b>French companies:</b>				
Tax losses of companies belonging to a tax group				
Tax losses generated prior to entry into the tax group	8,638	2,974	4,727	1,627
Tax losses excluding the tax group	5,311	1,371	9,376	2,344
<b>Foreign companies:</b>				
Tax losses of the Portuguese company	3,768	791	3,287	690
Tax losses of companies from other countries	675	113	670	111
<b>Total</b>	<b>18,391</b>	<b>5,249</b>	<b>18,060</b>	<b>4,772</b>

The losses of the French tax group including AFFLELOU, AAFR, 3ABOD, 3ABOE, OPTICAL FINANCE, LOA and LSFA can be carried forward for an unlimited period. Losses before the entry into the tax group of L'opticien Afflelou (LOA) can be carried forward for an unlimited period on an individual basis. Losses before the entry into the tax group of F2L, ACADEMIE VISION, GROUPE OPTICAL MEDITERANEE and CATHARE OPTIQUE can be carried forward for an unlimited time on an individual basis.

- For French companies, the amount of tax losses offset in a given fiscal year may not exceed €1 million, plus 50% of the amount of the profit above this threshold. Losses can only be carried back to the year prior to that in respect of which the tax loss is recognised, within a limit of €1 million.
- Losses generated in Portugal since 2014 must be used within 12 years. In addition, effective 1 January 2012, the amount of losses that may be offset in a given fiscal year is capped at 75% of taxable income for that year.
- The tax losses of Spanish companies can be carried forward for a period of no more than 18 years.

### 6.1.9. Earnings per share

Basic earnings per share are calculated based on the weighted average number of outstanding shares less the weighted average number of shares held by consolidated companies.

Diluted earnings per share are based on the weighted average number of shares defined above, plus the weighted average number of potentially dilutive common shares. Potentially dilutive shares are: shares granted in connection with convertible bonds issued at the time of the Group's refinancing on 17 July 2012, which include bonds convertible into shares (OCA), i.e. potentially 96,264,603 shares; and shares granted in connection with class A mezzanine equity warrants, i.e. potentially 6,596,000 shares, and class B mezzanine equity warrants, i.e. potentially 9,520,000 shares. The instruments issued by the Group did not have any dilutive effect in fiscal 2019 or 2020. The maximum number of potential dilutive shares in a subsequent year is 112,380,603.

## 6.2. Notes to the balance sheet

### 6.2.1. Trademarks

As of 31 July 2020, trademarks were valued at a total of €657,065 thousand, unchanged compared with 31 July 2019.

(in thousands of euros)	31/07/2020			31/07/2019		
	Gross	Impairment	Net	Gross	Impairment	Net
Alain Afflelou	650,000		650,000	650,000		650,000
Optical Discount	5,600		5,600	5,600		5,600
Malentille.com	2,000	(535)	1,465	2,000	(535)	1,465
<b>Total</b>	<b>657,600</b>	<b>(535)</b>	<b>657,065</b>	<b>657,600</b>	<b>(535)</b>	<b>657,065</b>



The Group was the subject of an acquisition on 17 July 2012 by Lion Seneca Lux 2 (LSL2) via its AFFLELOU holding company subsidiary, which resulted in the valuation of the Alain Afflelou trademark at €650 million as part of the accounting for the takeover pursuant to IFRS 3.

## 6.2.2. Goodwill

(in thousands of euros)	31/07/2019	Additions	Other movements <sup>(1)</sup>	31/07/2020
Gross amount	174,244	855	80,230	255,329
Accumulated impairment	(2,814)	(1,349)	(37,825)	(41,988)
Net	<b>171,430</b>	<b>(494)</b>	<b>42,405</b>	<b>213,341</b>

<sup>(1)</sup> See note 4.1.1

## 6.2.3. Intangible assets

### 6.2.3.1. Net intangible assets

(in thousands of euros)	31/07/2020			31/07/2019		
	Gross	Impairment Amortisation	Net	Gross	Impairment Amortisation	Net
Leasehold rights – Franchisor				6,153	(102)	6,051
Leasehold rights – LOA group				61,393	(25,427)	35,967
Leasehold rights – AAO group				25,704	(12,067)	13,637
Concessions, patents	19,982	(12,186)	7,797	13,124	(9,030)	4,094
Other intangible assets	1,648	(119)	1,528	974	(119)	854
<b>Total</b>	<b>21,630</b>	<b>(12,305)</b>	<b>9,325</b>	<b>107,348</b>	<b>(46,745)</b>	<b>60,602</b>

### 6.2.3.2. Gross amounts

Changes in intangible assets during the period are as follows:

(in thousands of euros)	01/08/2019	IFRS 16 <sup>(1)</sup>	Additions	Disposals, transfers	Other movts.	Translation adjustments	Change in scope	31/07/2020
Leasehold rights – Franchisor	6,153	(6,153)			0			
Leasehold rights – LOA group	61,393	(61,393)						
Leasehold rights – AAO group	25,704	(25,704)						
Concessions, patents	13,124		6,078	(98)	845		33	19,982
Other intangible assets	974		1,519		(845)			1,648
<b>Total</b>	<b>107,348</b>	<b>(93,250)</b>	<b>7,597</b>	<b>(98)</b>	<b>0</b>		<b>33</b>	<b>21,630</b>

<sup>(1)</sup> See note 4.1.1

Other movements correspond mainly to the capitalisation of intangible assets in progress. Acquisitions of intangible assets in fiscal 2020 totalled €7,597 thousand, including €5,108 thousand in concessions and patents acquired in France and Spain.

### 6.2.3.3. Impairment and loss of value

(in thousands of euros)	01/08/2019	IFRS 16 <sup>(1)</sup>	Additions, loss of value	Reversals, disposals	Other movts	Change in scope	31/07/2020
Leasehold rights – Franchisor	(102)	102					
Leasehold rights – LOA group	(25,427)	25,427					
Leasehold rights – AAO group	(12,067)	12,067					
Concessions, patents	(9,030)		(3 238)		91	(9)	(12,186)
Other intangible assets and assets under construction	(119)						(119)
<b>Total</b>	<b>(46,745)</b>	<b>37,596</b>	<b>(3,238)</b>	<b>91</b>	<b>0</b>	<b>(9)</b>	<b>(12,305)</b>

<sup>(1)</sup> See note 4.1.1

#### 6.2.4. Property, plant and equipment

(in thousands of euros)	31/07/2020			31/07/2019		
	Gross	Impairment Depreciation	Net	Gross	Impairment Depreciation	Net
Land						
Buildings	97	(97)		97	(97)	
Industrial machinery and equipment	25,910	(19,646)	6,264	24,802	(19,006)	5,796
Other PP&E	28,958	(17,528)	11,430	26,724	(15,646)	11,079
Assets under construction and advances and deposits	2,700		2,700	149		149
<b>Total</b>	<b>57,665</b>	<b>(37,271)</b>	<b>20,394</b>	<b>51,772</b>	<b>(34,748)</b>	<b>17,024</b>

##### 6.2.4.1. Gross amounts

(in thousands of euros)	01/08/2019	Acquisition s	Disposals , transfers	Other movements	IFRS 16 (1)	Change in scope	31/07/2020
Land							
Buildings	97						97
Industrial machinery and equipment	24,802	2,880	(1,887)			114	25,910
Other property, plant and equipment	26,724	4,934	(2,755)	59	(5)		28,958
Assets under construction and advances and deposits	149	2,610		(59)			2,700
<b>Gross total</b>	<b>51,772</b>	<b>10,425</b>	<b>(4,641)</b>	<b>0</b>		<b>114</b>	<b>57,665</b>

(1) See note 4.1.1

Acquisitions of property, plant and equipment in fiscal 2020 totalled €10,425 thousand, breaking down as €6,930 thousand in France, €3,469 thousand in Spain and €26 thousand in Other countries. Additions relate to fittings in the directly owned store network and acquisitions of stores during the period. Disposals and transfers mainly concern the assets of stores sold by the directly owned store network over the period. Changes in scope mainly reflect the consolidation of Arkania.

##### 6.2.4.2. Depreciation and impairment

(in thousands of euros)	01/08/2019	Depreciation	Reversals, disposals	Other movements	Change in scope	31/07/2020
Buildings	(97)					(97)
Industrial machinery and equipment	(19,006)	(1,923)	1,314	0	(31)	(19,646)
Other property, plant and equipment	(15,646)	(4,240)	2,358	0		(17,528)
Assets under construction						
<b>Total</b>	<b>(34,748)</b>	<b>(6,164)</b>	<b>3,672</b>	<b>0</b>	<b>(31)</b>	<b>(37,271)</b>

#### 6.2.5. Right-of-use assets and sublease receivables

(in thousands of euros)	31/07/2020			01/08/2019		
	Gross	Impairment Depreciation	Net	Gross	Impairment Depreciation	Net
France	88,862	(46,031)	42,830	85,864	(38,741)	47,123
Spain	39,974	(22,855)	17,119	38,151	(19,374)	18,777
Other	1,718	(532)	1,186	1,564	0	1,564
<b>Total right-of-use assets</b>	<b>130,554</b>	<b>(69,418)</b>	<b>61,136</b>	<b>125,579</b>	<b>(58,115)</b>	<b>67,463</b>

### 6.2.5.1. Gross amounts

(in thousands of euros)	01/08/2019	Acquisitions	Disposals, transfers	Other movements	Change in scope	31/07/2020
France	85,864	4,455	(1 457)			88 862
Spain	38,151	1,823				39,974
Other	1,564	155				1,718
<b>Total right-of-use assets (incl. leasehold rights) – gross</b>	<b>125,579</b>	<b>6,433</b>	<b>(1457)</b>			<b>130 554</b>

### 6.2.5.2. Depreciation and impairment

(in thousands of euros)	01/08/2019	Depreciation and amortisation	Reversals, disposals	Other movements	Change in scope	31/07/2020
France	(38,741)	(8,747)	1 457			(46,013)
Spain	(19,374)	(3,481)				(22,855)
Other	0	(532)				(532)
<b>Total</b>	<b>(58,115)</b>	<b>(12,761)</b>	<b>1 457</b>			<b>(69,418)</b>

### 6.2.5.3. Sublease receivables

(in thousands of euros)	01/08/2019	First-time application	Acquisitions	Repayment	Other movements	31/07/2020
Long-term sublease receivables		16,743	2,309		(2,913)	16,139
Short-term sublease receivables		2,772	353	(2,913)	2,933	3,145
<b>Gross total</b>		<b>19,515</b>	<b>2,662</b>	<b>(2,913)</b>	<b>20</b>	<b>19,283</b>

## 6.2.6. Impairment testing of non-current intangible assets

### 6.2.6.1. Nature of impairment testing

The Group first tests the assets and goodwill related to directly owned stores, then trademarks and ultimately goodwill allocated to groups of CGUs.

Impairment testing of assets and goodwill related to directly owned stores is performed on a store-by-store basis, based on the estimated market value. When in the course of negotiations the Group has indicative offers, it uses them to measure the recoverable amount. In other cases, the recoverable amount is the probable selling price, calculated on the basis of a percentage of the annual revenue before VAT of each store, in line with potential market conditions.

In 2016, the original goodwill was allocated, following the change in the Group's internal reporting structure, to the "France", "Spain" and "Other countries" operating segments in proportion to their contribution to adjusted EBITDA. Insofar as the Alain Afflelou trademark does not on its own account generate cash flows substantially independent from those generated by other corporate assets, it was allocated to the three country CGUs as described above for goodwill. The Optical discount and Malentille.com trademarks were allocated to the "France" operating segment.

### 6.2.6.2. Impairment testing methodology within groups of CGUs – Estimates for the calculation of value in use

Future cash flow projections are made on the basis of budgets and medium-term business plans approved by the Board of Directors. These plans are built on a five-year timeframe. In addition to the five-year business plan established by the Group, the key assumptions are described below.

### 6.2.6.3. Impairment testing results

Impairment testing of goodwill and trademarks in 2020 revealed values in use in excess of the net asset value of the France, Spain and Other countries CGUs. A 5.0% variation in adjusted EBITDA in 2020, projected over subsequent years, including the terminal year, would have an impact of approximately €49 million on the recoverable amount of the France CGU, €8 million on the Spain CGU and €2 million on the Other countries CGU, with no impact on the valuation of goodwill or trademarks as of 31 July 2020. The discount rates and the perpetual growth rates for the France and Other countries CGUs are 8% and 1.5% respectively. The discount rates and the perpetual growth rates for the Spain CGU are 8.5% and 1.5% respectively.

Sensitivity analysis was performed to determine the impact of a 1 percentage point increase or decrease in the perpetual growth rate and the discount rate used for testing as of 31 July 2020. It did not reveal any impact on the loss recognised in respect of 2020 for the France, Spain or Other countries CGUs.

An impairment loss of €535 thousand was recorded as of 31 July 2019 on the Malentille.com trademark.

### 6.2.7. Other financial assets

(in thousands of euros)	31/07/2019	Acquisitions	Disposals, transfers	Other movements	Change in scope	31/07/2020
Loans	8,707	1,617	(2,219)	(9)	(67)	8,030
Other financial assets	6,593	3,116	(941)	(76)	(128)	8,564
<b>Gross total</b>	<b>15,300</b>	<b>4,733</b>	<b>(3,159)</b>	<b>(85)</b>	<b>(195)</b>	<b>16,593</b>
Impairment	(2,150)	(1,918)	1,694	91		(2,282)
<b>Net total</b>	<b>13,150</b>	<b>2,815</b>	<b>(1,466)</b>	<b>6</b>	<b>(195)</b>	<b>14,311</b>

Changes in acquisitions and disposals include vendor loans made on the disposal of stores by AAO and LOA, as well as staggering agreements in respect of receivables granted to certain franchisees by Alain Afflelou Spain. Other financial assets include security deposits among other things.

### 6.2.8. Inventories

(in thousands of euros)	31/07/2020	31/07/2019
Directly owned store activity	11,765	11,921
Trading activity	17,326	19,453
Other	738	916
<b>Total merchandise inventories</b>	<b>29,828</b>	<b>32,290</b>
Provisions	(2,716)	(4,398)
<b>Net total</b>	<b>27,112</b>	<b>27,892</b>

### 6.2.9. Trade receivables

(in thousands of euros)	31/07/2020	31/07/2019
Franchise and communication fees	67,597	56,035
Listing fees, and delcredere and distribution commissions	7,087	6,289
Sales of exclusive products	977	652
Directly owned store activity	5,376	5,642
Other receivables	270	500
<b>Gross total</b>	<b>81,307</b>	<b>69,118</b>
Provisions	(7,028)	(8,420)
<b>Net total</b>	<b>74,279</b>	<b>60,699</b>

The following table shows the maturity of trade receivables:

(in thousands of euros)	31/07/2020	31/07/2019
<b>Gross total</b>	<b>81,307</b>	<b>69,118</b>
Not due	61,618	50,658
Less than 30 days	2,952	3,080
30 days to 60 days	807	838
60 days to 90 days	860	107
More than 90 days	15,070	14,435

#### 6.2.10. Trade payables

The following table shows the maturity of trade payables and related accounts:

(in thousands of euros)	31/07/2020	31/07/2019
<b>Gross total</b>	<b>54,468</b>	<b>44,294</b>
Not due	50,782	40,961
Less than 30 days	720	2,493
30 days to 60 days	1,709	169
60 days to 90 days	933	11
More than 90 days	325	660

#### 6.2.11. Other current assets and liabilities

##### 6.2.11.1. Other current assets

(in thousands of euros)	31/07/2020	31/07/2019
Personnel	451	123
State: income tax receivables	3,503	2,455
State: other tax receivables	10,294	10,634
Sundry debtors	67,636	62,147
Receivables on disposal of assets	906	1,653
Prepaid expenses	3,972	5,667
<b>Total</b>	<b>86,764</b>	<b>82,680</b>

The main items classified under sundry debtors are as follows:

(in thousands of euros)	31/07/2020	31/07/2019
Amounts due from franchisees to the central payment structure	57,147	49,557
Credit notes receivable from the central purchasing structure	4,351	6,580
Cash advances	900	668
Other receivables	5,239	5,342
<b>Total</b>	<b>67,636</b>	<b>62,147</b>

Part of the March to May payments of receivables on purchases by franchisees has been deferred to the coming fiscal year due to the health crisis, in a total of more than €30 million. Their payment is scheduled mainly for the coming fiscal year, with the outstanding amount already having been reduced to approximately €25 million as of 31 July.

##### 6.2.11.2. Other current liabilities

(in thousands of euros)	31/07/2020	31/07/2019
Social security liabilities	12,361	9,685
Tax liabilities	9,412	10,753
Sundry creditors	68,778	68,330
Deferred income	13,458	13,080
<b>Total other current liabilities</b>	<b>104,009</b>	<b>101,847</b>

The main items classified under sundry creditors are as follows:

(in thousands of euros)	31/07/2020	31/07/2019
Central payment activity	49,386	49,205
Central lens purchasing structure	13,348	15,285
Other liabilities	6,044	3,841
<b>Total</b>	<b>68,778</b>	<b>68,330</b>

#### **6.2.12. Cash and cash equivalents**

The Group's cash and cash equivalents consist primarily of bank current accounts.

#### **6.2.13. Share capital**

As of 31 July 2020, the share capital amounted to €231,481,560.85, consisting of 433,486,069 fully paid-up shares with a par value of €0.534 each, of which 415,449,754 common shares and 18,036,315 million class D preference shares.

The Group's common shares carry one vote; they give rights to dividends and the liquidation surplus, after the rights attached to preference shares have been satisfied. Preference shares do not carry voting rights.

Class D preference shares have priority rights to all distributions of dividends, reserves or premiums until full payment of the cumulative annual D priority dividend equal to 14% of the issue price (including bonus, where applicable) and capitalised (for the portion of the dividend not paid in respect of prior years) annually (at each reporting date) on the basis of a 360-day year and for the first time at the date of the first closing following the date of issue of the class D preference shares.

#### Securities giving access to the capital:

16,166,000 AFFLELOU mezzanine warrants, including 6,596,000 tranche A AFFLELOU mezzanine warrants conferring the right to subscribe for a maximum of 6,596,000 common shares of AFFLELOU SAS, subject to any adjustments, and 9,520,000 tranche B AFFLELOU mezzanine warrants conferring the right to subscribe for a maximum number of 9,520,000 common shares, subject to any adjustments.

No dividends were paid in respect of fiscal 2019 in 2020.

#### **6.2.14. Employee benefits and similar**

These benefits primarily cover retirement allowances in France.

#### Retirement allowances in France:

In France, the retirement allowance is a lump sum paid to employees when they retire. The amount depends on the length of the individual's service as of the date of retirement. It is determined on the basis of collective and/or company agreements. The plan does not entitle employees to any allowance until they reach retirement age (unvested). Retirement allowances are not linked to other standard pension benefits such as pensions paid by Social Security or supplementary pension funds (ARRCO and AGIRC).

The assumptions used by the collecting body are as follows:

- mortality table: TF-TH 14/16,
- rules governing retirement benefits: from the national collective agreement for eyewear retail,
- retirement age: 63 years for the Manager category, 62 years for the Technician category (franchisor) and 63 years for the Technician category (directly owned stores); 62 years for the Worker/Employee category,
- type of retirement: voluntary departure

Assumptions	31/07/2020	31/07/2019
Rate of employers' contributions (franchisor)	46.9%	46.7%
Rate of employers' contributions (directly owned stores)	42.0%	36.0%
Rate of wage increases (franchisor)	3.0%	2.8%
Rate of wage increases (directly owned stores)	2.1%	1.5%
Rate of staff turnover (franchisor)	7.5%	5.7%
Rate of staff turnover (directly owned stores)	14.3%	13.0%
Discount rate	0.7%	1.0%

Actuarial gains and losses were recognised in "Other comprehensive income" in accordance with IAS 19R in the negative amount of €71 thousand net of deferred taxes in fiscal 2020 and the negative amount of €76 thousand net of deferred taxes in fiscal 2019. Defined benefit plans account for the total gain of €35 thousand in fiscal 2020 (loss of €146 thousand in 2019).

#### Mandatory supplementary pensions (LPP) in Switzerland

The pension plan is affiliated with a collective foundation. The foundation bears the investment and longevity risk, and transfers some of the risk to an insurance company. The Group has no liabilities in respect of medical expenses.

#### **6.2.15. Current and non-current provisions**

(in thousands of euros)	01/08/2019	Additions	Utilisation	Reversals of surplus provisions	Change in scope	Other movements	31/07/2020
Provisions for litigation	2,027	63	(177)	(123)			1,790
Other provisions	2,612	402	(431)	(247)	80	1	2,416
<b>Total non-current provisions</b>	<b>4,639</b>	<b>465</b>	<b>(609)</b>	<b>(369)</b>	<b>80</b>	<b>1</b>	<b>4,207</b>
Provisions for risks	80	33				(1)	112
<b>Total current provisions</b>	<b>80</b>	<b>33</b>				<b>(1)</b>	<b>112</b>
<b>Total provisions</b>	<b>4,719</b>	<b>498</b>	<b>(609)</b>	<b>(369)</b>	<b>80</b>		<b>4,319</b>

#### Non-current provisions:

Provisions for litigation comprise cases before industrial tribunals and VAT litigation. Other provisions comprise various provisions for tax risks or other operating risks with certain franchisees or suppliers.

#### Current provisions:

Current provisions mainly include provisions in respect of franchisees.

## 6.2.16. Financial liabilities

### 6.2.16.1. Analysis of borrowings and other financial liabilities

(in thousands of euros)	31/07/2020		31/07/2019	
	Current portion	Non-current portion	Current portion	Non-current portion
Bonds convertible into shares		233,038		198,696
<b>I) Convertible bonds</b>		<b>233,038</b>		<b>198,696</b>
Senior secured fixed rate	2,783	248,809	2,783	248,259
Senior secured floating rate	223	164,214	223	163,851
<b>II) Medium-term external borrowings</b>	<b>3,007</b>	<b>413,022</b>	<b>3,006</b>	<b>412,109</b>
Loans	30,035	145	140	454
Bank overdrafts and assignment of trade receivables	12		22	
Security deposits		1,275		1,334
<b>III) Total other financial borrowings</b>	<b>30,046</b>	<b>1,420</b>	<b>163</b>	<b>1,788</b>
<b>Total (I+II+III)</b>	<b>33,053</b>	<b>647,480</b>	<b>3,169</b>	<b>612,594</b>

The current portion of the senior secured notes and senior notes corresponds mainly to accrued interest as of 31 July 2020 and 31 July 2019. In the year ended 31 July 2020, loans include a €30 million government-guaranteed

### 6.2.16.2. Change in borrowings

(in thousands of euros)	31/07/2020	31/07/2019
<b>Opening borrowings</b>	<b>615,763</b>	<b>632,202</b>
Loans	30,079	998
Repayment of borrowings	(699)	(62,646)
Interest expense for the period	35,254	35,727
Change in bank overdrafts	(10)	(97)
Change in scope	145	(168)
Other movements		9,747
<b>Closing borrowings</b>	<b>680,533</b>	<b>615,764</b>

Other movements in the year ended 31 July 2019 include the impacts of the capitalisation of convertible bond interest on consolidation in the amount of €9.7 million.

### 6.2.16.3. Breakdown of the main sources of funding

#### 6.2.16.3.1. High-yield bond debt of €415 million

In October 2017, the Group went ahead with the early redemption of the two bonds on 3ABOD and LSF2, in the amounts of €365 million and €75 million respectively, via the issuance of a new high-yield bond in a total amount of €425 million on 3ABOD, and using cash and cash equivalents for the rest.

3ABOD issued €425 million in senior secured notes on 16 October 2017, with redemption at maturity on 15 October 2023. The bond is split into two tranches, one of €250 million at a fixed rate of 4% per annum and the other of €175 million at a floating rate of Euribor +4.125%.

The fixed-rate tranche is redeemable early under certain conditions, with penalties, until 1 April 2022. The floating-rate tranche may be redeemed early, without penalties, from 1 October 2019.

This high-yield bond is subject to limited financial constraints:

- The Group is not subject to compliance with financial ratios such as a leverage ratio (Net Debt/EBITDA).
- The restrictions primarily relate to the realisation of transactions requiring additional funding (incurring additional debt, making investments, etc.).



- In terms of collateral, the new bonds mainly benefit from the pledge in favour of their holders of shares of the major Group companies, as well as the pledge of the Group's main bank accounts.

Under the terms of these bonds, the Group must report its quarterly condensed consolidated financial statements and its audited annual consolidated financial statements within two and four months respectively. The Group considers itself to have been in compliance with all the conditions of these bonds as of 31 July 2020. In June 2019, an amount of €10 million was redeemed early on a floating-rate tranche of €175 million, bringing the total bond debt down to €415 million at the end of July 2019.

#### 6.2.16.3.2. *Revolving credit facility (RCF) of €30 million*

The new bond was accompanied by the establishment of a €30 million revolving credit facility (RCF). This is a precautionary facility allowing the Group to cover its current requirements. It was established on 17 October 2017, with a term of 54 months from its inception. The applicable interest rate is a variable rate combining Euribor and a margin, the margin being calculated on the basis of a leverage ratio. A non-use commission is applicable in proportion to the margin by draws. The securities of AFFLELOU and 3ABOD have been pledged as collateral, as have as the securities of potentially borrowing subsidiaries (3ABOD, AAFR, LOA, 3ABOE, AAE and AAO) and the main bank accounts. The early repayment of the RCF would not generate penalties. Reporting obligations are the same as for bond lenders. The Group must also certify, period-by-period, that the adjusted EBITDA of the prior 12 months is above €45 million. The most recent such report was made for the quarter ended 30 April 2020. The facility was drawn in its full amount in March, and was repaid on July 2020. The Group considers itself to have been in compliance with terms of this credit facility as of 31 July 2020.

#### 6.2.16.3.3. *Government-guaranteed loan of €30 million*

In July 2020, the Group took out a €30 million government-guaranteed loan with its banking pool as part of government support measures to address the COVID-19 outbreak. This loan, implemented in favour of Alain Afflelou Franchiseur, is for a period of one year, and for the first year bears an interest rate of 0%. It can be renewed for up to five years. For the period covered by the loan, the Group has undertaken not to pay dividends or to distribute other substantial amounts to its shareholders, and to limit its investments, particularly in respect of acquisitions. The Group considers to be in compliance with the terms and conditions of this loan as of 31 July 2020.

#### 6.2.16.3.4. *Convertible bonds issued by AFFLELOU*

(in thousands of euros)	01/08/2019	Capitalisation of interest	31/07/2020
Issuance of convertible bonds	64,885		64,885
Capitalisation of interest	133,812	34,341	168,153
Total	198,696	34,341	233,038

On 17 July 2012, AFFLELOU issued 201,489,998 convertible bonds (OCA) at a price of 1 euro at par, paying a fixed interest rate of 14%. As of 31 July 2020, the OCAs were valued at €279,890,297, after the capitalisation of interest. Interest on the OCA is capitalised (the first capitalisation took place on 31 July 2013), and payment will be made either on the date of redemption or the date of conversion. The convertible bonds mature on 17 July 2027. Conversion is possible at any time, on the basis of one share for one bond. Early repayment is possible at the issuer's initiative, subject to the conditions of the subordination agreement, or, at the holder's initiative, subject to compliance with the terms of the subordination agreement, in case of change of control or IPO.

#### Equity component of convertible bonds:

The convertible bonds were recorded as debt and as equity. As of the date of issue, in accordance with IAS 32, the debt component was measured by discounting the value of the contractual cash flows of the convertible debt at an estimated market rate of 17% (see Note 4.17.2). The difference between the value of the compound instrument and the debt component has been recorded in equity in "Other reserves" in the initial amount of €66,274 thousand. As of 31 July 2020, the instrument was valued at €31,380 thousand in equity.

#### 6.2.16.4. Breakdown of borrowings by maturity

(in thousands of euros)	Current	Non-current	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total as of 31/07/2020
Carrying amount of convertible bonds		233,038					233,038	233,038
<b>I) Total convertible bonds</b>		<b>233,038</b>					<b>233,038</b>	<b>233,038</b>
Senior secured fixed rate	2,783	248,809			248,809			251,592
Senior secured floating rate	223	164,214			164,214			164,437
<b>II) Medium-term external borrowings</b>	<b>3,007</b>	<b>413,022</b>			<b>413,022</b>			<b>416,029</b>
Loans	30,035	145		145				30,179
Bank overdr. and assignment of trade receiv.	12							12
Security deposits	0	1,275	1,275					1,275
Other		0						0
<b>III) Total other financial borrowings</b>	<b>30,046</b>	<b>1,420</b>	<b>1,275</b>	<b>145</b>				<b>31,466</b>
<b>Total (I+II+III)</b>	<b>33,053</b>	<b>647,480</b>	<b>1,275</b>	<b>145</b>	<b>413,022</b>		<b>233,038</b>	<b>680,533</b>

At the end of 2018, the Group established two new optional hedges of €50 million each to cap the floating rate indexed to 3M Euribor at 0.25% over the 2020 calendar year, and 0.50% over the 2020 and 2021 calendar years.

#### 6.2.17. Lease liabilities

##### 6.2.17.1. Change in lease liabilities

(in thousands of euros)	31/07/2020
<b>Opening lease liabilities</b>	89,879
Repayment of borrowings	(15,508)
Interest expense for the period	399
New loans/finance leases	8,901
Other movements	6
<b>Closing lease liabilities</b>	<b>83,677</b>

##### 6.2.17.2. Breakdown of lease liabilities by maturity

	31/07/2020	< 1 year	1 to 2 years	2 to 5 years	> 5 years
Short-term borrowings	15,651	15,651			
Long-term borrowings	68,026		14,203	32,326	21,497

#### 6.3. Notes on risk exposure

As of 31 July 2020, exposure to various market risks can be analysed as follows:

##### 6.3.1. The Group's position in relation to interest rate risk

The Group's policy is to ensure that its exposure to interest rate risk is on fixed-rate borrowings or on floating rate borrowings by contracting derivative instruments to hedge the volatility of cash flows attributable to interest rate risk.

### 6.3.2. The Group's position in relation to currency risk

Apart from its purchasing activity with its supplier Okia, the Group has little exposure to the risk of exchange rate fluctuations, which relate primarily to the euro/dollar exchange rate, reflecting the Group's purchases, which are predominantly denominated in US dollars. To that end, the Group has established agreements on purchasing conditions, on the basis of a fixed dollar/euro exchange rate, with Okia, its main supplier. A derivative embedded in the supply contract allows the impact of changes in the dollar/euro exchange rate compared with the rate set in the contract to be split equally between the two parties.

It has also ensured that the terms of purchasing agreements can be renegotiated in the event of an appreciation of the dollar against the euro.

### 6.3.3. The Group's position in relation to credit risk

The large number of customers means that there is no concentration of credit risk on the receivables held by the Group. Generally speaking, the Group considers that it is not exposed to specific credit risk on its financial assets, except in France, where secured transactions in payments to suppliers result in del credere commissions.

### 6.3.4. The Group's position in relation to liquidity risk

Management of liquidity risk by the Group and each of its subsidiaries is monitored closely and periodically assessed, based on Group financial reporting procedures. The Group has a €30 million revolving credit facility, undrawn as of 31 July 2020, to cover any short-term liquidity risk, in addition to an unconfirmed bank overdraft and discounted trade receivables.

## 6.4. Notes on the accounting classification and market value of financial instruments

(in thousands of euros)	31/07/2020	Market value	Breakdown by accounting classification		
	Carrying amount		Fair value through equity	Loans and receivables	Amortised cost
Non-current financial assets	14,311	14,311		14,311	
Trade receivables	74,279	74,279			74,279
Cash and cash equivalents	76,893	76,893		76,893	
Current and non-current liabilities					
Convertible bonds	233,038	233,038			233,038
Medium-term external borrowings	416,029	402,647			416,029
Other financial borrowings	31,466	31,466			31,466
Trade payables	54,468	54,468			54,468

The valuation methods used for financial instruments as of 31 July 2020 are as follows:

- derivative financial instruments recorded in assets are valued at their market value;
- financial instruments recorded in liabilities, specifically other loans, are measured using other valuation methods such as discounted cash flows, taking into account the Group's credit risk and interest rate conditions at the closing date.

The Group distinguishes three classes of financial instrument:

- Level 1: financial instruments measured using prices quoted in an active market;
- Level 2: financial instruments measured at fair value using valuation techniques based on observable market parameters;
- Level 3: financial instruments measured at fair value using valuation techniques based on unobservable parameters (parameters yielding valuations resulting from assumptions not based on observable market transaction prices for the same instrument or observable market data available as of the balance sheet date) or that are based only partially on such parameters.

The Group's medium-term external borrowings (high-yield bonds traded on the Irish Stock Exchange) belong to the Level 1 category; all other financial instruments belong to the Level 3 category.

The tables above provide the following information for the various classes of financial instrument:

- in the first column: the carrying amount;
- in the second column: fair value pursuant to IFRS 7.25;
- in the third column: the IAS 39 category under which they are valued pursuant to IFRS 7.8.

## 6.5. Notes on the statement of cash flows

### 6.5.1. Cash and variations

Cash net of overdrafts amounted to €76,881 thousand as of 31 July 2020 (€35,721 thousand as of 31 July 2019), corresponding to the amount of cash and cash equivalents presented in the statement of cash flows.

(in thousands of euros)	31/07/2020	31/07/2019
Cash and cash equivalents	76,893	35,743
Bank overdrafts	(12)	(22)
<b>Total</b>	<b>76,881</b>	<b>35,721</b>

## 6.6. Contingent liabilities, off-balance sheet contractual commitments and contingencies

### 6.6.1. Off-balance sheet commitments

(in thousands of euros)	31/07/2019	31/07/2020	< 1 year	1 to 5 years	> 5 years
<b>A – Commitments given</b>					
Lease commitments – office space	2,720				
Lease commitments – stores	24,870				
Lease commitments – operating leases	313	93	63	30	
Sundry guarantees to third parties	17,773	16,123	3,485	12,294	344
Securities and bank guarantees – Spain	9,293	11,235	2,305	8,060	870
Securities and bank guarantees – France	4,970	7,386	4,216	3,171	0
<b>Total commitments given</b>	<b>59,939</b>	<b>34,837</b>	<b>10,069</b>	<b>23,554</b>	<b>1,214</b>
<b>B – Commitments received</b>					
Lease commitments – office space					
Guarantees related to businesses sold by the Group	12,817	7,808	1,197	3,642	2,970
Liabilities related to the central payment structure	6,423	4,454	1,726	2,426	302
Securities and bank guarantees – Other	1,098	498	498		
<b>Total commitments received</b>	<b>20,337</b>	<b>12,760</b>	<b>3,420</b>	<b>6,068</b>	<b>3,272</b>

- Leases commitments for stores operated by the Group are now recognized in the balance sheet in accordance with IFRS 16.
- Sundry guarantees to third parties correspond mainly to rental obligations that the Group has kept with some lessors on stores sold, in exchange for similar commitments received in the Group's favour, from franchisee buyers. These guarantees also include preliminary purchase contracts on 12 stores owned by two franchisees.
- Bonds and bank guarantees given cover liabilities to banks financing franchisees, either as part of acquisitions or openings of outlets or assistance with funding refurbishments or working capital. Secured loans are part of the overall budgets. The Group is involved in these transactions in its capacity as guarantor to these banks of the financing they provide to franchisees in the proportion of 100% of each application for financing, in some cases with a maximum portion of the overall envelope.
- Commitments received related to the central payment structure consist mainly of pledges and guarantees made by the franchisees on schedules or agreements covering the repayment of the debts of the central payment structure.

In addition, the Group benefits from commitments received as part of the relationship with franchisees: under franchise agreements. Franchisees are encouraged to make personal guarantees in favour of the Group for the obligations and liabilities they incur to the Group's central payment structure. These guarantees are generally prorated at 30% of annual sales excluding VAT in France and Spain. However, only guarantees and sureties related to franchisees' specific debts (agreements, staggered payments, vendor loans) are shown in the table of commitments received.

The sureties and bank guarantees received correspond to the bank guarantee obtained for the deferred settlement of the proceeds from the sale of its stake in Optivisao to BRODHEIM.

### **6.6.2. Dependence of the Group on patents, licences and supply contracts**

The Group is not significantly dependent on patents, licenses or supply contracts.

### **6.6.3. Notifications, lawsuits and disputes**

Companies belonging to the Group may become involved in lawsuits or litigation in the normal course of their business, including disputes with tax, social security or customs authorities.

#### The French Competition Authority investigation

- On 27 May 2015, the French Competition Authority notified Alain Afflelou Franchiseur of grievances, accusing it of "having colluded with providers of eye- and sunglass frames, from 2003 at the earliest and until 2009, to fix retail prices and to impede the fixing of prices through free competition in violation of the provisions of Article L.420-1 of the French Commercial Code and Article 101 paragraph 1 of the TFEU".
- Alain Afflelou Franchiseur responded to the grievances laid out by the French Competition Authority on 27 July 2015, vigorously contesting them on all points. In July 2016, Alain Afflelou Franchiseur received a report from the French Competition Authority in response. The report rejected the arguments put forward by Alain Afflelou Franchiseur, but nevertheless narrowed the period of the alleged practices, stating that the practices at issue were spread as regards Alain Afflelou Franchiseur between 25 February 2005 and 31 December 2009. The report also capped the potential penalty at approximately €12.5 million.
- The French Competition Authority issued a decision on the vertical agreement grievances on 24 February 2017. It decided to refer the issue back for further investigations. It is difficult to predict the outcome of the new investigation, bearing in mind that it was deemed at this stage of the proceedings that collusion had not been identified. The referral should result in a complementary notification. It is not possible to assess the amount of any fine to which Alain Afflelou Franchiseur may be liable if the case brought by the French Competition Authority is successful.
- On 19 April 2019, Alain Afflelou Franchiseur received notification of additional grievances in which no grievance was filed against it. No response was therefore given to this notification.
- On 2 March 2020, Alain Afflelou Franchiseur received the additional report from the French Competition Authority. Even though Alain Afflelou Franchiseur is still not concerned by the additional grievances, it nevertheless issued a response to the Competition Authority on certain procedural arguments of interest to it.

Alain Afflelou Franchiseur, which continues to believe itself to be in the right, intends to continue contesting the French Competition Authority's allegations vigorously. Accordingly, no provision for this litigation has been recorded in the Group's consolidated financial statements.

#### VAT Deductibility Notification

On 8 December 2017, the Group received a notification from the tax authorities following an audit of VAT deducted by Optical Finance in the years 2014 to 2016. Adjustments notified by the tax authorities amounted to €1.5 million. Following receipt of the tax authorities' assessment on 16 August 2018, the group decided to pay the sum corresponding to the principal adjustment of €966 thousand. Nevertheless, the Group referred the matter to the Paris administrative tribunal, considering the authorities' position to be

unfounded. The Group also called the vendor warranties issued by the vendor shareholders on its acquisition of Optical Finance, which are capped at €1 million.

#### Deductibility of interest expense on convertible bonds

Deferred tax assets in respect of tax loss carryforwards amounted to €65.8 million as of 31 July 2020. Certain tax loss carryforwards are the subject of proposed tax adjustments issued by the tax authorities. The main proposed adjustment was notified in December 2018 in respect of the income tax expense for fiscal years ended 31 July 2013, 2014 and 2015. It concerns the deductibility of the 14% interest expense on the convertible bonds issued in July 2012 as part of the Group's acquisition by LBO, in an amount of approximately €203 million. The French tax authorities reject the deductibility of the interest on these convertible bonds on the grounds the issue of these bonds is equivalent to equity financing by major shareholders, which constitutes an abuse of law. The Group, on the basis of the analysis carried out at this stage by its legal and tax advisers, challenged this proposed adjustment in a response sent to the French tax authorities in February 2019. It has consequently not changed its approach to tax loss carryforwards as recorded in the balance sheet. Nevertheless, if the position of the French tax authorities were to prevail, the possible resolution of this procedure would reduce the amount of tax loss carryforwards, approximately €56 million in deferred tax assets according to initial estimates, and could result in payment of income taxes for the year subject to adjustments and following years up to financial year ending July 21 2020. In this context, the maximum estimated outflow would be €14 million.

### **6.7. Related parties**

---

#### **6.7.1. Related-party transactions and balances**

The main related parties with which the Group carried out transactions are as follows:

- Lion Seneca Lux 2, leading shareholder of the Company AFFLELOU and the entities that control it:
  - Lion Capital provides management services to AFFLELOU. In respect of such services, the Group recorded expenses of €1,200 thousand in fiscal 2020 and €1,050 thousand in fiscal 2019. The liability in respect of these services was €7 thousand as of 31 July 2020.
  - Lion Seneca Lux 2 held 82,468,590 bonds convertible into common shares of the Company as of 31 July 2020, compared with 82,468,590 bonds convertible into common shares of the Company as of 31 July 2019. The corresponding investments amounted to €239,778 thousand as of 31 July 2020 and €209,902 thousand as of 31 July 2019, of which €29,873 thousand and €30,930 thousand in capitalised interest in respect of fiscal 2020 and 2019 respectively.
  - Afflelou has also signed a €2,000 thousand loan agreement with Lion Seneca Lux 2. The balance was €171 thousand as of 31 July 2020 and €149 thousand as of 31 July 2019. Interest income amounted to €23 thousand in the year ended 31 July 2020, compared with €36 thousand in the year ended 31 July 2019.
- Alain Afflelou, his family members and the entities they control:
  - The AAOC holding company holds 13,796,013 bonds convertible into common shares of the Company. The corresponding investments amounted to €40,112 thousand as of 31 July 2020 and €35,114 thousand as of 31 July 2019, of which €5,001 thousand and €5,181 thousand in capitalised interest in respect of fiscal 2020 and 2019 respectively.
  - The AAOC and AA CONSEIL LIMITED holding companies, managed by Alain Afflelou, provide services to AAI. The AAOC holding company granted a concession for the exploitation of the rights to the personality attributes of Alain Afflelou, and the related expense was €100 thousand in fiscal 2020 and €100 thousand in fiscal 2019. The Group's debt to the AAOC holding company was €20 thousand as of 31 July 2020 and €14 thousand as of 31 July 2019. AA CONSEIL LIMITED provides business strategy consulting services, the net expense of which was €276 thousand in fiscal 2020 and €234 thousand in fiscal 2019. The Group had a debt of €66 thousand to AA CONSEIL LIMITED as of 31 July 2020, compared with a debt of €29 thousand as of 31 July 2019.
  - The AAOC holding company granted a concession for the exploitation of the rights to the personality attributes of Alain Afflelou in favour of Lion Seneca France Audio (LSFA), the expense of which was €50 thousand in fiscal 2020, compared with €50 thousand in fiscal 2019. The Group's debt was €4 thousand as of 31 July 2020 and €8 thousand as of 31 July 2019.

- Holding AA & Fils, Holding AAOC and AA Conseil Limited sublease some of the premises of AAI. In the year ended 31 July 2020, the Group's revenue was €21 thousand, compared with €10 thousand in fiscal 2019. The Group's receivable was nil as of 31 July 2020, compared with €6 thousand as of 31 July 2019.
- The Fondation ALAIN AFFLELOU, a Spanish law corporate foundation created by AAE. The foundation received €99 thousand in fiscal 2020 and €11 thousand in fiscal 2019.
- The Fonds de Dotation ALAIN AFFLELOU, an endowment fund created by AAFR and chaired by Alain Afflelou, did not receive any payments in fiscal 2020, compared with €5 thousand in fiscal 2019. The Group recognised income and a receivable of €164 thousand from the sale of masks to the ALAIN AFFLELOU endowment fund in fiscal 2020.

## 6.7.2. Compensation paid to corporate officers

### 6.7.2.1. Short-term benefits

The compensation paid by the Group to the members of the Board of Directors, both in respect of their employment contract and as executives, amounted to €515 thousand in fiscal 2020 and €415 thousand in fiscal 2019.

### 6.7.2.2. Long-term benefits

Other than the benefits related to the defined benefit pension plan, described in 6.2.14, the Company is required to pay the Chairman in the event of termination of his employment contract, which is suspended during the term of his corporate office:

- a gross monthly salary of a fixed aggregate amount equal to 50% of the monthly average compensation throughout the duration of the clause (i.e. 12 months), if the non-compete clause is activated;
- a gross amount equal to 18 months' salary in the event of dismissal not motivated by misconduct or gross negligence;
- a specific indemnity in the event of dismissal where the conditions for receiving a full-rate pension or unemployment compensation by Pôle Emploi during 36 months or a disability pension of the second or third category are not filled, this compensation to be paid for a period of 36 months from the date of his effective departure provided he is registered as a jobseeker with Pôle Emploi.

## 6.8. Statutory auditors' fees

(in thousands of euros)	31/07/2020				31/07/2019			
	Deloitte	EY	Other	Total	Deloitte network	EY	Other	Total
Statutory audit	153	273		426	166	290	30	487
Non-audit services	6	294		300	155	195		350
<b>Total</b>	<b>159</b>	<b>567</b>		<b>726</b>	<b>321</b>	<b>485</b>	<b>30</b>	<b>837</b>

Fees in fiscal 2020 are the fees of the statutory auditors of the consolidating company, as well as of the French subsidiaries when the subsidiaries and the consolidating entity have the same statutory auditors.



## 7. List of consolidated companies

List of consolidated companies as of 31 July 2020:

Name	Registered office	Country	31-July-20			31-July-19		
			Basis of consolidation	% of control	% of interest	Basis of consolidation	% of control	% of interest
Afflelou	Paris	France	Parent company	100%	100%	Parent company	100%	100%
3AB Optique Développement (3ABOD)	Paris	France	FC	100%	100%	FC	100%	100%
Alain Afflelou Franchiseur (AAFR)	Paris	France	FC	100%	100%	FC	100%	100%
Alain Afflelou International (AAI)	Luxembourg	Luxembourg	FC	100%	100%	FC	100%	100%
Alain Afflelou Belgique (AABEL)	Brussels	Belgium	FC	100%	100%	FC	100%	100%
Alain Afflelou España (AAE)	Madrid	Spain	FC	100%	100%	FC	100%	100%
Optical Finance España (OFE)	Madrid	Spain	FC	100%	100%	FC	100%	100%
Alain Afflelou Audiologo (AAU)	Madrid	Spain	FC	100%	100%	FC	100%	100%
Alain Afflelou Portugal (AAP)	Porto	Portugal	FC	100%	100%	FC	100%	100%
3AB Optique Expansion (3ABOE)	Paris	France	FC	100%	100%	FC	100%	100%
Optical Finance (OF)	Paris	France	FC	100%	100%	FC	100%	100%
AA Asia limited (AAA)	Hong Kong	China	FC	100%	100%	FC	100%	100%
Optical Finance Belgique (OFBEL)	Brussels	Belgium	FC	100%	100%	FC	100%	100%
Lion Seneca France Audio (LSFA)	Paris	France	FC	100%	100%	FC	100%	100%
AA Latam	Madrid	Spain	FC	100%	100%	FC	100%	100%
<b>AAO Group:</b>								
F2L	Paris	France	FC	100%	100%	FC	100%	100%
Alain Afflelou Optico (AAO)	Madrid	Spain	FC	100%	100%	FC	100%	100%
Arkania Vision	Barcelona	Spain	FC	100%	100%			
<b>LOA Group:</b>								
L'Opticien Afflelou (LOA)	Paris	France	FC	100%	100%	FC	100%	100%
AAOC Mag	Paris	France		Merge		FC	100%	100%
<b>Other directly owned companies:</b>								
Academie Vision	Béziers	France	FC	100%	100%	FC	100%	100%
Groupe Optique Méditerranée	Béziers	France	FC	100%	100%	FC	100%	100%
Cathare Optique	Lezignan Corbieres	France	FC	100%	100%	FC	100%	100%

The Group has a Foundation in Spain, the purpose of which is to promote screening for visual impairments, especially among children. It also has an Endowment Fund in France, the purpose of which is to raise funds for work carried out directly or through associations. The Group also has a charity in France ("Loi 1901"), the purpose of which is to support work of all types in the areas of vision and hearing (improvement, protection and awareness raising). These three interests are not material, and are not consolidated by the Group.

## 8. Subsequent events

France, Spain and many other European countries have adopted new health protection measures since the end of October, to stem the increase in the number of Covid 19 cases encountered in recent weeks. It is too early to estimate the negative impact of this new lockdown on the Group's activity since the duration of the lockdown is still unclear. However, it should be noted that optical and audio stores are part of the list of stores authorized to open and receive the public under the sanitary conditions required by this situation. As of the date on which this report is established, i.e. approximately two weeks after the beginning of the lockdown, almost all stores are open and the drop in activity is limited.



## Statutory auditors report on the consolidated financial statements

For the year ended 31 July 2019

*This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To shareholders of Afflelou:

### Opinion

In compliance with the engagement entrusted to us by your general meeting, we have audited the accompanying consolidated financial statements of Afflelou for the year ended 31 July 2019. In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 July 2019 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### Basis for Opinion

#### **Audit Framework**

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

#### **Independence**

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1<sup>ST</sup> August 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in the French Code of ethics (Code de déontologie) for statutory auditors.

#### **Emphasis of Matter**

Without modifying the conclusion expressed above, we draw your attention to the matters set out - in Note 6.6.3 "Notification, lawsuits and disputes" in respect of. the uncertainty related to the tax adjustments received from the tax authorities concerning tax loss carryforwards

#### **Justification of Assessments**

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the following assessments that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements. Impairment tests are performed on trademarks, goodwill and other intangible assets with an indefinite useful life in accordance with the method described in Note 6.2.5 to the financial statements. We assessed the appropriateness of the method implemented based on a range of estimates and examined the data and

assumptions used by the group in performing these tests. On this basis, we assessed the reasonableness of these estimates.

### **Specific Verifications**

As required by law, we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the President. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is 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, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations. The consolidated financial statements were approved by the Board of Directors.

### **Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. 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 financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (ode de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. 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.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

- Assesses the appropriateness of management's 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 Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Paris-La Défense, 13 November 2019

The Statutory Auditors

**French original signed by**

**ERNST & YOUNG et Autres**

Benoit SCHUMACHER

**Deloitte & Associés**

Cécile REMY

Jean Paul SEGURET

**Afflelou**

Simplified joint stock company with capital of 233,531,553 euros  
Registered office: 11 rue d'Argenson, 75008 Paris  
751,095,712 Paris Trade and Companies Register

**Consolidated financial statements for the year ended 31 July 2019**

# I – Consolidated statement of financial position

(in thousands of euros)

Assets	Note	31/07/2019	31/07/2018
Trademarks	6.2.1	657,065	657,600
Goodwill	6.2.2	171,430	171,478
Intangible assets	6.2.3	60,602	57,853
Property, plant and equipment	6.2.4	17,024	19,344
Other financial assets	6.2.6	13,150	13,749
Deferred tax assets	6.1.8.4	2,482	2,780
<b>Non-current assets</b>		<b>921,753</b>	<b>922,804</b>
Inventories	6.2.7	27,892	28,186
Trade receivables	6.2.8	60,699	69,788
Other current assets	6.2.10.1	82,680	94,265
Cash and cash equivalents	6.2.11	35,743	37,609
Assets held for sale			2,000
<b>Current assets</b>		<b>207,014</b>	<b>231,848</b>
<b>Total assets</b>		<b>1,128,767</b>	<b>1,154,653</b>

Equity and liabilities	Note	31/07/2019	31/07/2018
Share capital	6.2.12	233,532	233,532
Other reserves		(4,330)	10,943
Net income for the period		6,804	(8,021)
Other comprehensive income		(238)	(39)
<b>Total equity</b>		<b>235,767</b>	<b>236,415</b>
Non-current borrowings	6.2.15	612,594	628,668
Deferred tax liabilities	6.1.8.4	122,109	126,604
Employee benefits and similar	6.2.13	2,347	2,009
Non-current provisions	6.2.14	4,639	4,319
<b>Non-current liabilities</b>		<b>741,689</b>	<b>761,601</b>
Current borrowings	6.2.15	3,169	3,534
Current provisions	6.2.14	80	292
Trade payables	6.2.9	44,294	39,539
Derivative financial liabilities		560	533
Tax payable	6.1.8.3	1,361	5,917
Other current liabilities	6.2.10.2	101,847	106,823
<b>Current liabilities</b>		<b>151,311</b>	<b>156,637</b>
<b>Total equity and liabilities</b>		<b>1,128,767</b>	<b>1,154,653</b>

## II – Consolidated income statement

(in thousands of euros)	Note	31/07/2019 (12 months)	31/07/2018 (12 months)
Revenue	6.1.1	372,990	380,299
Cost of purchases		(190,741)	(201,165)
Wages and salaries including social security contributions	6.1.2	(55,820)	(57,398)
Other purchases and external expenses	6.1.4	(41,069)	(41,013)
Duties and taxes other than income tax		(2,154)	(2,516)
Depreciation, amortisation and impairment	6.1.5	(9,658)	(12,378)
<b>Operating income from ordinary activities</b>		<b>73,548</b>	<b>65,829</b>
Other non-recurring operating items	6.1.6	(8,678)	(13,508)
<b>Operating profit</b>		<b>64,870</b>	<b>52,320</b>
Financial income		2,208	3,336
Borrowing costs		(53,871)	(74,351)
Other financial expense		(3,766)	(2,870)
<b>Net financial income/(expense)</b>	6.1.7	<b>(55,429)</b>	<b>(73,886)</b>
<b>Net income before tax of consolidated companies</b>		<b>9,441</b>	<b>(21,565)</b>
Tax income/(expense)	6.1.8	(1,435)	15,977
<b>Net income of continuing operations</b>		<b>8,006</b>	<b>(5,589)</b>
Net income of discontinued operations		(1,202)	(2,432)
<b>Net income</b>		<b>6,804</b>	<b>(8,021)</b>
<b>Earnings per share, basic and diluted (in €)</b>	<b>6.1.9</b>	<b>0.02</b>	<b>(0.02)</b>

### III – Statement of comprehensive income

(in thousands of euros)	31/07/2019 (12 months)	31/07/2018 (12 months)
<b>Net income</b>	<b>6,804</b>	<b>(8,021)</b>
Exchange differences arising on the translation of foreign operations	(31)	(2)
Fair value gains (losses) on financial instruments	15	(38)
Tax impact of fair value gains (losses) on financial instruments	(4)	10
Fair value gains (losses) on available-for-sale financial assets	(159)	354
Tax impact of fair value gains (losses) on available-for-sale financial assets	33	(74)
<b>Other comprehensive income that may subsequently be reclassified to profit or loss</b>	<b>(146)</b>	<b>250</b>
Actuarial gains and losses on pension obligations	(102)	(6)
Tax impact of actuarial gains and losses on pension obligations	26	1
<b>Other comprehensive income that will not be reclassified to profit or loss</b>	<b>(76)</b>	<b>(4)</b>
<b>Total other comprehensive income</b>	<b>(222)</b>	<b>245</b>
<b>Total comprehensive income</b>	<b>6,582</b>	<b>(7,775)</b>

#### IV – Consolidated statement of cash flows

(in thousands of euros)	Note	31/07/2019 (12 months)	31/07/2018 (12 months)
<b>Operating activities:</b>			
Net income		6,804	(8,021)
Depreciation and amortisation and provisions		19,086	28,623
Reversal of provisions		(15,013)	(7,881)
Capital gains and losses on disposals	6.1.6	7,539	3,540
Tax expense/(income)	6.1.8.2	2,221	(17,241)
Borrowing costs	6.1.7	53,867	74,351
<b>Cash flow before borrowing costs</b>		<b>74,504</b>	<b>73,372</b>
Change in inventories		(20)	1,387
Change in receivables		17,817	1,494
Change in liabilities		(428)	(2,845)
Prepaid expenses and deferred income		(905)	(416)
<b>Change in working capital</b>		<b>16,464</b>	<b>(380)</b>
Income tax paid		(4,769)	(3,559)
<b>Net cash from/(used in) operating activities</b>		<b>86,199</b>	<b>69,432</b>
<b>Investing activities:</b>			
Purchases of intangible assets	6.2.3.2	(5,916)	(5,054)
Purchases of property, plant & equipment	6.2.4.1	(5,075)	(7,004)
Proceeds from disposals of intangible assets and PP&E		5,236	3,185
Purchases of financial assets	6.2.6	(2,832)	(3,683)
Proceeds from disposals of financial assets	6.2.6	2,611	3,114
Purchases of subsidiaries	4	(2,208)	(1,222)
<b>Net cash from/(used in) investing activities</b>		<b>(8,184)</b>	<b>(10,664)</b>
<b>Financing activities:</b>			
Borrowings	6.2.15.2	998	425,277
Repayment of borrowings	6.2.15.2	(62,646)	(452,534)
Other financial expenses paid		(29)	0
Debt issuance costs		0	(5,433)
Net interest paid	6.1.7	(18,113)	(23,833)
<b>Net cash from/(used in) financing activities</b>		<b>(79,791)</b>	<b>(56,523)</b>
<b>Effect of changes in exchange rates</b>		<b>6</b>	<b>0</b>
<b>Change in cash</b>		<b>(1,769)</b>	<b>2,245</b>
Cash and cash equivalents at beginning of period		37,490	35,245
Cash and cash equivalents at end of period	6.5.1	35,721	37,490



## V – Statement of changes in equity

(in thousands of euros)	Number of shares	Share capital	Other reserves (1)	Net income for the year	Other comprehensive income	Total
<b>Shareholders' equity as of August 1, 2017</b>	<b>146,690,002</b>	<b>78,332</b>	<b>23,254</b>	<b>(959)</b>	<b>(285)</b>	<b>100,342</b>
Appropriation of prior year income			(959)	959		
Changes in share capital	291,116,001	155,456	(13,144)			142,312
Change in Group scope	(480,997)	(257)	1,793			1,536
Comprehensive income for the period				(8,021)	245	(7,775)
<b>Shareholders' equity as of 31 July 2018</b>	<b>437,325,006</b>	<b>233,532</b>	<b>10,943</b>	<b>(8,021)</b>	<b>(39)</b>	<b>236,415</b>
Appropriation of prior year income			(8,021)	8,021		
Changes in share capital	291,116,001		(7,230)			(7,230)
Change in Group scope	(480,997)					
Comprehensive income for the period			(23)	6,804	(199)	6,582
<b>Shareholders' equity as of 31 July 2019</b>	<b>437,325,006</b>	<b>233,532</b>	<b>(4,330)</b>	<b>6,804</b>	<b>(238)</b>	<b>235,767</b>

(1) Including the equity component of convertible bonds (see Note 6.2.15.3.3)

### 1. Overview

#### 1.1. General information on the parent company

The parent company, AFFLELOU, is a French joint stock company controlled by LION SENECA Lux 2, headquartered at 11 rue d'Argenson, 75008 Paris. The "Group" comprises the parent company, which wholly owns 3AB OPTICAL DEVELOPMENT ("3ABOD") and its subsidiaries.

The Board of Directors of AFFLELOU approved the annual financial statements and the consolidated financial statements for the year ended 31 July 2019 on 7 November 2019.

#### 1.2. General information on the Group

The Group is a leader in the market for the distribution of optical products in France and Spain, and a major player in the European markets of Belgium and Switzerland. The Group also operates in various countries in Africa, Asia and America. The Group's core business is the sale of optical and audio products through a network of franchises and directly owned stores operating under the "ALAIN AFFLELOU", "ALAIN AFFLELOU ACOUSTICIEN" and "OPTICAL DISCOUNT" banners.

The Group has based its expansion strategy on the franchise network. This model is based on revenue generated by sales in franchise networks (mainly franchise fees and communication fees) and through their purchases, through services provided to the suppliers of the various brands, and through direct sales of products to franchisees, notably branded company products.

The Group owns a network of stores so as to (i) retain control over flagship stores located in strategic areas and key geographies, (ii) test new business initiatives and identify best practices before applying them to the franchisees, and (iii) manage the overall store network by temporarily piggy-backing stores that are at the end of a franchise agreement or experiencing difficulties, thereby keeping them within the Group for subsequent transfer to new franchisees.

Lastly, the Group derives part of its revenue from the e-commerce channel, notably with the afflelou.com, malentille.com and opticaldiscount.com websites.

### 2. Highlights

#### 2.1. Change in the networks

The Group had 1,425 stores (1,342 optical stores and 83 audio stores) as of 31 July 2019, compared with 1,497 stores (1,408 optical stores and 89 audio stores) as of 31 July 2018. The reduction is attributable chiefly to the decline in the number of Optical Discount stores in France, following an effort to streamline the store base, the sale of the Optimil brand in Spain, and lastly, the termination of a master franchise agreement for audio stores in Spain, resulting in the removal of 18 outlets from the audio portfolio.

The portfolio of 83 audio stores is complemented by 236 spaces in optical stores in France and Spain, bringing the total of audio outlets to 319, compared with 298 as of 31 July 2018, representing a further increase despite the termination of the master franchise agreement in Spain.

As of 31 July 2019, the Group operated in 19 countries, split into three zones: France with 957 points of sale, Spain with 328 points of sale, and other countries representing 140 points of sale. The last year was marked by fresh geographical expansion, including openings in Kuwait and Colombia.

The portfolio of directly owned stores, located mainly in France and Spain, represented 162 optical stores as of 31 July 2019, compared with 168 optical stores and 2 audio stores as of 31 July 2018.

## **2.2. Change in the Group's debt**

---

In view of the cash generated during the year, the Group went ahead in June 2019 with the early redemption of €10 million of the high-yield bond debt of €425 million issued by 3ABOD, reducing the outstanding amount of this external debt to €415 million.

## **2.3. Transactions on capital and securities giving access to the Group's capital**

---

On 4 September 2018, the Group went ahead with the early redemption of 3,252,343 convertible bonds (OCA) (including capitalised interest) for €7,348 thousand.

On 31 July 2019, the Group went ahead with the early redemption of 16,851,625 convertible bonds (OCA) in a total amount of €42,891 thousand and 711,895 bonds convertible into preference shares (OC ADPD) in a total amount of €1,812 thousand.

These transactions were carried out as part of the restricted payment transactions authorised by the documentation of high-yield bonds issued by 3ABOD in October 2017 in the amount of €425 million.

As a result of these transactions, 96,264,603 convertible bonds (OCA) issued by the Group for a capitalised amount of €245,016 thousand remain outstanding (see note 6.2.15.3.3).

## **2.4. Restructuring of the brand and retail banner portfolio**

---

### **Disposal of the Optimil discount banner in Spain**

Due to the disappointing performance of the Optimil discount banner in Spain and the difficulties in implementing the various components of the franchisor offer at Optimil, the Group decided to sell this banner. The sale of Optimil was completed in late October 2018. For the record, the Optimil activity was classified as held for sale as of 31 July 2018.

### **Disposal of the Group's stake in Optimisao**

Following discussions in the second half of 2018, the Group sold its entire stake in Optimisao to its majority shareholder, Brodheim, for €2 million in mid-January 2019. The sale is being settled in stages, with the deferred payment covered by a bank payment guarantee.

### **Termination of a master franchise agreement in the hearing aid sector in Spain**

Early in the second quarter of the current fiscal year, the Group terminated a master franchise agreement with a hearing-aid company previously in charge of developing our brand in Spain.

This partner represented 18 hearing centres, or approximately €2.5 million in network sales per year. The decision to terminate the master franchise agreement was taken on an amicable basis, without compensation or penalty for either party.

### **Digital activity**

The HAPPYVIEW brand, valued at €1,400 thousand and impaired in full, was discontinued during the year in order to capitalise on the main banner, Alain Afflelou (see Note 6.2.1).

## **3. Change in the scope of consolidation**

---

### **3.1. Change in the scope of consolidation in fiscal 2019**

---

The main changes in scope are the merger by way of absorption of Digital Eyewear by Alain Afflelou Franchiseur, and its dissolution without liquidation with retroactive effect from the first day of the fiscal year, i.e. 1 August 2018.

As part of the disposal of the Optimil discount banner in Spain, Polus was sold in October 2018.

The Group acquired three Spanish companies (Cecimar Opticos, Paladio Vision and Feyla Opticos SL) managing a total of five stores as part of its strategy of developing directly owned stores. These acquisitions did not have a material impact on these consolidated financial statements, which are therefore comparable with those of previous years. Over the year, Cecimar Opticos, Paladio Viso, Feyla Opticos and Opticas Azahar were merged with Alain Afflelou Optico (AAO).

Lastly, the Group acquired AAOC Mag, comprising six stores, on 31 July 2019.

### **3.2. Change in the scope of consolidation in fiscal 2018**

The Group acquired two Spanish companies (Selene Vision SL and Anta Socuellamos SL), each managing a point of sale. These acquisitions did not have a material impact on these consolidated financial statements, which are therefore comparable with those of previous years.

On 31 January 2018, the Group also acquired three French companies, two of which are already operated by a franchisee under a lease management agreement (Académie Vision and Groupe Optique Méditerranée) and one operating as a branch (Cathare Optique).

## **4. Accounting policies**

### **4.1. Standards and rules applied**

The Group's consolidated financial statements for the year ended 31 July 2019 were prepared in accordance with the international accounting standards issued by the IASB (International Accounting Standards Board) and adopted by the European Union under European Regulation 1606/2002 dated 19 July 2002. These standards include International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), as well as interpretations issued by the IFRS Interpretations Committee (IFRS IC), as approved in the European Union, application of which was mandatory as of the year under review, which are available on the website of the European Commission ([http://ec.europa.eu/finance/company-reporting/index\\_en.htm](http://ec.europa.eu/finance/company-reporting/index_en.htm)).

The accounting policies applied in the consolidated financial statements are consistent with those used in preparing the consolidated financial statements for the year ended 31 July 2018, with the exception of new standards, amendments and interpretations applicable in financial years beginning on or after 1 August 2018:

#### **4.1.1. Standards, interpretations and amendments mandatory as of 1 August 2018:**

- **IFRS 15 and its amendments – Revenue from Contracts with Customers**  
The Group early adopted IFRS 15 *Revenue from Contracts with Customers* as of 1 August 2017. The transition was made using the simplified retrospective method, without restatement of the comparative information.
- **IFRS 9 – Financial Instruments**  
This standard replaces IAS 39, which was applied until 31 July 2018. The Group has adopted IFRS 9 retrospectively using the opportunity provided by the standard not to restate comparative data except for hedge accounting applied prospectively. IFRS 9 did not have an impact on consolidated equity as of 1 August 2018.

The Group's analyses are presented below:

#### Classification and measurement of financial assets and financial liabilities

The Group analysed financial assets within the context of the new IFRS 9 classification, based on the Company's management model and the contractual characteristics of the financial assets. The Group's

financial assets mainly include loans, receivables and deposits. These financial assets are not affected by a change in valuation method and will continue to be measured using the amortised cost method.

#### Financial asset impairment model

The Group has opted for the simplified method of assessing the impairment of trade receivables. The analysis of historical losses recorded on these receivables did not reveal any material amounts. The new IFRS 9 impairment model (the “expected credit loss” model) did not have a material impact in comparison with the Group’s previous impairment method.

#### Hedge accounting

The analysis did not identify any changes to the accounting method for hedging instruments used by the Group.

On the basis of the work carried out, the application of this standard does not have a material impact. The application of the following standards and amendments did not have a material impact on the Group’s consolidated financial statements.

- Amendments to IFRS 2 *Share-based Payment* – Clarification of classification and measurement of share based payment transactions;
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*;
- Annual improvements, 2014-2016 cycle.

#### **4.1.2. Standards, interpretations and amendments to standards published by IASB and approved or in the process of approval by the European Union, the application of which is not yet mandatory as of 31 July 2019:**

---

- **IFRS 16 Leases.**

On 13 January 2016, the IASB issued a new standard on leases, IFRS 16. This standard, which will replace IAS 17 and its interpretations, will result in the recognition of most leases using a single accounting model in the balance sheet, comprising a right-of-use asset representing the right to use the underlying leased asset and a lease liability representing the obligation to make payments (replacing the classification as operating or finance leases for lessees).

The new standard, adopted by the European Union, is applicable for annual periods beginning on or after 1 January 2019 and will therefore be applied by the Group from 1 August 2019.

Until 31 July 2019, the Group recognises its leases as operating leases and recognises rents on a straight-line basis over the lease term in accordance with the provisions of IAS 17. Most of the Group’s leases relate to real estate leases for the rental of commercial premises and, to a lesser extent, office space.

The Group is also an intermediary lessor because it has concluded sublease agreements with franchisees. As a lessor, the Group currently records its leases as operating leases, recognising sublease income in profit or loss on a straight-line basis over the term of the sublease. Annual rental income amounts to around €17 million.

The Group has elected to apply the modified retrospective transition approach offered by the standard. As of 1 August 2019, the lease liability will be calculated by discounting the remaining rents at the Group’s incremental borrowing rate at that date, taking into account the estimated remaining term of the various leases. The rents taken into account are fixed or variable rents based on an index or an interest rate. Variable rents do not give rise to the calculation of a lease liability.

On the transition date, right-of-use assets will be recognised in an amount equal to that of the lease liability or, as permitted by the standard, by determining their carrying amount as if the standard had been applied since the most recent of the following dates: inception of the lease, most recent renewal, or takeover of the entity/activity carrying the lease within the meaning of IFRS 3, and then discounting it using the incremental borrowing rate at the date of first application. This option will be used for the most material leases. The choice of this transition approach means that prior period comparative information is not restated.

The Group has also decided to make use of the exemptions permitted by the standard for short-term contracts (less than 12 months) or for low-value assets.

The term of the leases will be the non-cancellable term plus the periods covered by an extension option whose exercise is reasonably certain, and the periods covered by a termination option whose non-exercise is reasonably certain.

For the Group's leases as lessor, the analysis carried out ahead of the transition caused the Group to qualify them as finance leases. This qualification will result in the derecognition of the right-of-use asset relating to the main lease and the recognition of the net investment in the sublease as a financial receivable. Sublease agreements will result in the recognition of financial income corresponding to the effect of discounting.

To meet the challenges of the transition, the Group has implemented an IFRS 16 project. The accounting and legal teams have received training on the standard and the Group has acquired dedicated software allowing it to monitor its contracts as lessee and as lessor, and to perform the calculations required to record the restatement.

To date, the Group has finalised the collection of data, and is in the process of finalising the processing necessary to estimate the impact of IFRS 16 on its results and financial position.

In Note 6.6.1, the Group discloses its future minimum lease payment commitments pursuant to IAS 17, and payment commitments received in respect of subleases as of 31 July 2019.

The amount of these commitments is not representative of the lease liability that will be recognised as of 1 August 2019, and is significantly lower than the estimated amount of the liability under IFRS 16. Off-balance sheet commitments that are limited to the non-cancellable period of the contracts (IAS 17.35) and which do not take into account extensions and/or the non-exercise of the cancellation options are considered reasonably certain by the management, within the meaning of IFRS 16.

The provisional estimate of the impacts of the new standard shows additional debt of between €60 million and €70 million and an increase in EBITDA of between €13 million and €17 million.

The Group has elected not to early apply the following standards and interpretations. The impact of the application of the following amendments and interpretations on the Group's financial statements is currently being assessed.

- **IFRIC 23 *Uncertainty over Income Tax Treatments*;**
- **Amendments to IFRS 9 *Prepayment Provisions Providing for Negative Compensation*;**
- **Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*;**
- **IFRS 17 *Insurance Contracts*;**
- **Annual improvements, 2015-2017 cycle;**
- **Amendments to IAS 19 *Employee Benefits* – Plan Amendment, Curtailment or Settlement;**
- **Amendments to IFRS 3 – *Definition of a Business*;**
- **Amendments to IAS 1 – change in the definition of “material”.**

## **4.2. Basis of consolidation**

---

The consolidated financial statements include the financial statements of acquired entities from the takeover date and those of disposed entities until the date of loss of control.

### **4.2.1. Consolidated entities**

The Group consolidates entities over which it exercises control, as defined by IFRS 10 *Consolidated Financial Statements*, when it:

- has power over the investee;
- is exposed or has rights to variable returns from its involvement with the investee; and

- has the power to govern the investee's financial and operating policies with a view to obtaining economic benefits.

Reciprocal transactions, assets and liabilities between consolidated companies are eliminated. Income derived from internal transactions with controlled companies is eliminated. The accounting policies of subsidiaries are changed where necessary to ensure consistency of accounting treatment across the Group as a whole.

#### **4.2.2. Associates**

The Group has no interests in joint ventures or associates.

#### **4.2.3. Business combinations**

The Group applies IFRS 3R *Business Combinations*.

Business combinations are accounted for using the purchase method:

- the cost of an acquisition is measured at the fair value of the consideration transferred, including any earn-out payments, at the date of takeover. Subsequent changes in the fair value of an earn-out payment are recognised in profit or loss;
- the difference between the consideration transferred (acquisition price) and the fair value of identifiable assets acquired and liabilities assumed at the date of takeover is represented by goodwill, which is recognised as an asset in the statement of financial position.

The fair value of identifiable assets acquired and liabilities assumed is determined on a provisional basis when the initial assessment or additional analysis is underway on the balance sheet date. Once fair value has been determined, adjustments are recognised as retrospective adjustments to goodwill if they occur within a maximum period of one year from the acquisition date and if they result from facts and circumstances existing as of the acquisition date. Beyond this period, such effects are recognised directly in profit or loss, as is any change in estimates. For each acquisition of an interest of less than 100%, the proportion of share capital not acquired (non-controlling interests) is measured:

- either at fair value: in this case, goodwill is recognised for the portion related to non-controlling interests (full goodwill method);
- or in accordance with its share of the revalued net assets of the acquired entity: in this case, only goodwill in respect of the acquired share is recorded (partial goodwill method).

Costs directly attributable to the acquisition are expensed as incurred, in "Other non-recurring operating income and expenses". Adjustments or earn-out payments in respect of business combinations are measured at fair value as of the acquisition date. They are recognised either as adjustments to the consideration transferred or through post-acquisition profit or loss depending on their nature under the provisions of IFRS 3.

In a business combination achieved in stages, the interest previously held by the Group in the acquiree is remeasured at the time of the takeover of the business, at fair value through profit or loss. To determine goodwill as of the takeover date, the fair value of the consideration transferred is added to the fair value previously recorded by the Group. The amount of other comprehensive income previously recognised in respect of the interest held prior to the takeover is reclassified to profit or loss.

### **4.3. Basis of valuation, judgements and use of estimates**

---

The financial statements have been prepared on a historical cost basis, except for cases where IFRS require or permit the use of the fair value option.

The preparation of financial statements requires the use of estimates and assumptions in determining the value of assets and liabilities, appraising contingent assets and liabilities as of the balance sheet date, and valuing income and expenses for the year. Significant estimates made by the Group in the preparation of the financial statements concern the recoverable amount of goodwill and intangible assets (including trademarks) and the measurement of provisions.



Due to uncertainties inherent in any valuation process, the Group revises its estimates on the basis of regularly updated information. It is possible that future results could differ from such estimates. The main assumptions and estimates made by the Group are described in specific sections of the notes to the financial statements, and in particular in the following notes:

Note	Estimate	Nature of estimate
3.7 and 6.2.3.3	Impairment testing of intangible assets and property, plant and equipment	At the level of individual CGUs Key assumptions used to determine value in use (discount rate, perpetual growth rate, projected cash flows)
3.12 and 6.2.8	Inventories	Prospective inventory turnover rate used to calculate impairment
3.18.2 and 6.1.8.4	Deferred tax	Assumptions used for the recognition of deferred tax assets relating to tax loss carryforwards and temporary differences

#### **4.4. Effects of changes in foreign exchange rates**

##### **4.4.1. Accounting for transactions in foreign currencies**

Transactions denominated in foreign currencies are recorded in the relevant entity's functional currency at the exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currencies are translated at each balance sheet date using the closing exchange rate. Foreign exchange differences resulting from the settlement of such items are recognised in "Other financial income" or "Other financial expense". When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, the "exchange rate" component of the said gain or loss is also recognised in other comprehensive income. Otherwise, it is recognised in profit or loss for the period. The treatment of foreign exchange rate hedges in the form of derivatives is described under the heading "Derivatives" in Note 3.11. Non-monetary items in foreign currencies measured at historical cost are translated at the transaction date, and non-monetary items in foreign currencies measured at fair value are translated at the date the fair value was determined.

##### **4.4.2. Translation of the financial statements of foreign companies**

The financial statements of each of the companies consolidated by the Group are prepared in their respective functional currency, defined as the currency of the economic environment in which the entity operates. The financial statements of companies whose functional currency is not the euro are translated into euros as follows:

- items in the statement of financial position are translated into euros based on the exchange rate prevailing on the balance sheet date;
- items in the income statement are translated into euros at the average exchange rate for the period, as long as it is not undermined by significant fluctuations;
- differences resulting from the translation of the statement of financial position as of the balance sheet date and the translation of the income statement using the average exchange rate over the period are recognised in other recyclable comprehensive income under "Currency translation".

#### **4.5. Intangible assets excluding goodwill**

An intangible asset is a non-monetary item without physical substance that must be both identifiable and controlled by the company as a result of past events. It must also generate future economic benefits. An intangible asset is identifiable if it is separable from the acquired entity or if it is derived from legal or contractual rights. Intangible assets with determinable useful lives are amortised on a straight-line basis over periods corresponding to their anticipated useful life. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually within the cash-generating unit (CGU) to which they belong.

Trademarks are classified as assets with indefinite useful lives in application of the following criteria:



- Their overall positioning in their respective market in terms of business volumes and recognition;
- Prospective long-term profitability.

Licences and software have useful lives of between one and four years, and are amortised over the relevant period.

Lastly, leasehold rights are not amortised, but are tested for impairment (Note 3.7).

## **4.6. Property, plant and equipment**

### **4.6.1. Initial valuation and subsequent measurement**

Items of property, plant and equipment are carried at their historical or production cost or initial consolidation amount, less accumulated depreciation and impairment losses. The carrying amount of property, plant and equipment is not subject to remeasurement, as the Group has not chosen the alternative method allowing the regular remeasurement of one or more categories of property, plant and equipment. The carrying amounts of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

### **4.6.2. Depreciation**

The Group uses the following depreciation periods for the various items of property, plant and equipment held:

Property, plant and equipment	Useful life	Depreciation method
Buildings	10 to 20 years	Straight line
Industrial machinery and equipment	3 to 10 years	Straight line
Technical equipment under finance leases	3 to 10 years	Straight line
Other property, plant and equipment	5 years	Straight line

## **4.7. Impairment of non-current assets (IAS 36)**

Goodwill, intangible assets with indefinite useful lives and CGUs or groups of CGUs containing such items are subject to routine annual impairment testing as of 31 July each year. Impairment testing is also performed when events or circumstances indicate that goodwill, other intangible assets, property, plant and equipment, CGUs or groups of CGUs may be impaired. Such events or circumstances may stem from unfavourable changes affecting either the economic environment or the assumptions or objectives used as of the acquisition date.

Impairment testing serves to determine whether the recoverable amount of an asset or CGU or group of CGUs is less than its carrying amount. The recoverable amount of an asset, CGU or group of CGUs is the greater of its fair value less costs to sell and its value in use. Value in use is determined based on projections of expected future cash flows, taking into account the time value of money and the risks specific to the asset, CGU or group of CGUs. To calculate value in use, a terminal value equal to the capitalisation in perpetuity of normative annual cash flows is added to the value of prospective future cash flows. Fair value less costs to sell is the amount that could be obtained from the sale of the asset or group of assets in an arm's length transaction between knowledgeable, willing parties, less costs to sell. When the recoverable amount of the asset, CGU or group of CGUs is less than its carrying amount, an impairment loss is recognised against the relevant asset or group of assets. In the case of a CGU or group of CGUs, the impairment loss is allocated first to goodwill, where appropriate, and is recorded under "Other non-recurring operating items" in the income statement.

Impairment losses recognised in respect of property, plant and equipment and other intangible assets may be reversed later if the recoverable amount later comes to exceed the carrying amount. Impairment losses recognised in respect of goodwill cannot be reversed.

On the partial disposal of a CGU, the value of goodwill allocated to the partial divestment is measured based on the relative values of the disposed business and the portion of the CGU retained unless another method is deemed more pertinent.

#### **4.8. Operations discontinued, sold or held for sale**

---

Non-current assets or groups of assets and liabilities are classified as assets held for sale if they are highly likely to be recovered primarily through a sale rather than through continuing use.

Such assets (or groups of assets held for sale) are generally recorded at the lower of carrying amount or fair value less costs to sell. Any impairment loss in respect of a group of assets held for sale is allocated first to goodwill and then to other assets and liabilities in proportion to their carrying amount. Impairment losses resulting from the classification of an asset (or group of assets and liabilities) as held for sale as well as gains and losses on subsequent measurement are recognised in profit or loss.

Once classified as assets held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

Operations discontinued, sold or held for sale are a component of the Group's activities that:

- represents a separate activity or geographical area,
- is part of a single, coordinated plan to dispose of a separate business or geographical area,
- is a subsidiary acquired exclusively for resale.

The classification as a discontinued, sold or held-for-sale business occurs on the date of disposal or at an earlier date when the business meets the criteria to be classified as held for sale.

When an activity is classified as a discontinued operation, the statement of net income and other comprehensive income is restated as if the business had met the criteria for a discontinued operation at the beginning of the comparative period.

#### **4.9. Leases**

---

In the course of its various business activities, the Group uses assets made available or makes assets available under lease arrangements. Such leases are analysed on the basis of the situations and indicators set out in IAS 17 *Leases* to determine whether they are operating or finance leases.

- As lessee
  - Finance leases: on initial recognition, assets held under finance leases are recognised as property, plant and equipment with offsetting debt. The asset is recognised at the fair value of the leased asset at the date of inception of the contract, or, if lower, at the present value of minimum lease payments. It is depreciated over the term of the contract.
  - Operating leases: payments made under operating leases (other than the costs of services such as insurance and maintenance) are expensed in the income statement on a straight-line basis over the term of the lease.
- As lessor

All lease management contracts signed by the Group with its franchisees are operating leases. Rental income is recognised on a straight-line basis over the fixed terms of commercial leases.

#### **4.10. Other financial assets and liabilities**

---

Pursuant to IAS 39, financial assets are classified in one of four categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale financial assets.

The classification determines the accounting treatment of the assets in question. It is determined by the Group on the date of initial recognition, depending on the purpose for which the assets were acquired. Purchases and sales of financial assets are accounted for as of the transaction date, when the Group undertakes to purchase or sell assets. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or the asset is transferred.

#### 1. Loans and receivables

Loans and receivables are non-derivative financial assets whose payments are fixed or determinable, which are not traded in an active market and which are not held for trading or available for sale. Such assets are initially measured at fair value and subsequently at amortised cost using the effective interest rate method. For short-term receivables with no stated interest rate, the fair value and amortised cost are equivalent to the amount of the original invoice unless the effective interest rate has a significant impact. Such assets are tested for impairment when there is an indication of loss of value. Impairment is recognised if the carrying amount exceeds the estimated recoverable amount. This category consists of vendor loans granted to franchisees who acquire stores from the Group and deposits paid to Group lessors. For vendor loans, amortised cost is equal to the face value, in the absence of significant costs associated with their establishment. Vendor loans can be repaid early as desired by franchisees (using either bank refinancing or their own resources). Receivables related to investments, security deposits, current loans and receivables, and trade receivables are also included in this category. They are classified as current or non-current "Other financial assets" and in "Trade receivables".

#### 2. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not included in the above categories. They are measured at fair value. Unrealised gains or losses are recorded in other comprehensive income until the sale is finalised. However, when an available-for-sale financial asset shows objective evidence of impairment, the cumulative loss is recognised in profit or loss. For listed securities, fair value corresponds to market prices. For unlisted securities, it is determined by reference to recent transactions or using valuation techniques based on reliable and observable market data.

### 4.11. *Derivatives*

---

In the course of its business, the Group may use various financial instruments to reduce its exposure to foreign exchange and/or interest rate risk. All derivatives are recognised in the balance sheet in other current or non-current assets and liabilities, depending on their maturity and accounting classification, and carried at fair value as of the transaction date. The change in the fair value of derivative instruments is always recognised in profit or loss, except when hedge accounting is applied.

Hedge accounting is only applied if the following conditions are met:

- a hedging relationship is clearly identified, formalised and documented from the date of its inception;
- the effectiveness of the hedging relationship is demonstrated prospectively and retrospectively. Confidence in the results obtained must be within a range of 80% to 125%.

Financial instruments classified as hedging instruments are measured in the balance sheet at their fair value. The effective portion is recognised in other comprehensive income, and the ineffective portion in profit or loss.

### 4.12. *Inventories*

---

Inventories in the balance sheet cover inventories of eyeglass frames, contact lenses and contact-lens products (held as part of the Group's central purchasing activity), and the inventories of directly owned stores (consisting of eyeglass frames, eyeglass lenses, contact lenses and other products). Inventories in the balance sheet may under certain circumstances include stores held temporarily as property dealer.

Inventories are valued at their weighted average purchase price. Inventories are impaired to cover any unsold items so as to align them with their realisable values.

Inventories held in stores are subject to impairment, in accordance with the following rules:

- 20% for products of more than one year,
- 40% for products of more than two years,

- 80% for products of more than three years,
- 100% for products whose vendors have ceased trading and trademarks that are no longer marketed.

#### **4.13. Other current assets and liabilities**

##### **4.13.1. Trade receivables and other current assets**

Trade receivables are carried at amortised cost. Receivables relating to the central payment and purchasing activities are included in "Other current assets". An impairment is recognised when the outstanding carrying amount exceeds the recoverable amount. Other current assets chiefly include receivables in respect of the central payment activity, including franchisees' payments for their purchases from the referenced suppliers, as well as the discounts granted by such suppliers to franchisees, to be passed on to franchisees. An impairment is recognised when the outstanding carrying amount exceeds the recoverable amount.

##### **4.13.2. Trade payables and other current liabilities**

Trade payables in respect of overheads and communication and sponsorship expenses are recorded at amortised cost. Other current liabilities chiefly include payables in respect of the central payment activity, including future settlements to suppliers of franchisees, as well as any discounts granted by such suppliers, to be passed on to franchisees.

#### **4.14. Cash and cash equivalents**

Cash includes cash in bank current accounts and demand deposits. Cash equivalents consist of investments maturing in less than one year from the date of acquisition that are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, held in order to meet short-term cash commitments. Overdrafts are recorded as current borrowings. In the consolidated statement of cash flows, "Cash and cash equivalents" corresponds to the amount presented in the balance sheet less bank overdrafts.

#### **4.15. Provisions and contingent liabilities**

A contingent liability is:

- a possible obligation arising from past events and whose existence will be confirmed only by the occurrence (or not) of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation arising from past events but which is not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - the amount of the obligation cannot be measured with sufficient reliability.

A provision is recognised when the Group has a probable obligation arising from past events, the settlement of which is expected to lead to an outflow of Group resources without an equivalent or greater incoming amount that can be estimated reliably. Identified risks of all types, including operational and financial, are subject to quarterly monitoring to determine the amount of provisions necessary. A provision for vacant retail space is recorded when a retail space is unoccupied over the residual term of the lease (including rental expenses, taxes and related expenses), less any sublease income.

#### **4.16. Employee benefits and similar**

Group companies contribute, in accordance with the laws and customs of each country, to various types of benefits available to their employees. Under defined contribution plans, the Group has no obligation to make additional payments over and above the contributions already paid into a fund if the said fund does not have sufficient assets to pay benefits corresponding to services rendered by employees during the current or prior periods. Contributions to such plans are expensed as incurred. This is notably the case for the French entities in respect of statutory pension schemes.

Under defined benefit plans, obligations are measured using the projected unit credit method on the basis of agreements or arrangements in force in each company. Under this method, each period of service gives rise to an additional unit of benefit entitlement, and each unit is measured separately to obtain the final obligation. This obligation is then discounted. The actuarial assumptions used to determine the obligations vary depending on the economic conditions prevailing in the country in which the plan is established. The biggest such plans and termination payments are subject to an actuarial valuation by independent actuaries every year; valuations are performed at regular intervals for other plans. These valuations take into account the level of future compensation, the probable length of employment, life expectancy and staff turnover.

Actuarial gains and losses result from changes in assumptions and the difference between estimated results based on actuarial assumptions and actual results. Actuarial gains and losses relating to defined benefit plans are recognised immediately in other comprehensive income.

Expenses relating to this type of plan are recognised in income from ordinary activities. Reductions, settlements and past service costs are recognised in income from ordinary activities. The provision recognised in the balance sheet represents the present value of the obligations calculated net of the fair value of plan assets.

## **4.17. Borrowings**

---

### **4.17.1. Loans and other financial liabilities**

The measurement of financial liabilities depends on their classification under IAS 39 *Financial Instruments*. Within the Group's borrowings, trade payables and other payables are initially recognised at fair value less transaction costs, and subsequently at amortised cost using the effective interest rate method.

The effective interest rate is determined for each transaction. It is the rate that provides the net carrying amount of a financial liability by discounting projected future cash flows paid until maturity or until the closest date to re-pricing at the market rate. This calculation includes related transaction costs and all premiums and/or discounts. Transaction costs are costs that are directly attributable to the acquisition or issuance of a financial liability.

Financial liabilities classified as hedged items in hedging relationships at fair value and measured at amortised cost are subject to an adjustment to their net carrying amount in respect of the hedged risk. Hedging relationships are described in Note 3.10 "Derivatives". Financial liabilities designated using the fair value option, other than derivative liabilities, are measured at fair value. Changes in fair value are recognised in profit or loss. Transaction costs related to the implementation of such financial liabilities are expensed as incurred.

### **4.17.2. Compound instruments**

Some financial instruments comprise both a debt component and an equity component. This is notably the case for convertible bonds. The various components of these instruments are recognised in shareholders' equity and in loans and financial liabilities, on the basis of their respective weighting, in accordance with IAS 32 *Financial Instruments: Presentation*. Debt components are measured at issuance. Their measurement corresponds to the value of the future cash flows (including interest and redemption), discounted at the market rate (taking into account the credit risk at issuance and the level of subordination) of a similar instrument with the same conditions (maturity, cash flows), but not convertible into or redeemable for shares. The portion recognised in equity is calculated as the difference between the amount of the issue and the debt component. The effective interest rate is the rate that discounts the expected disbursements over the term of the loan in order to obtain the carrying amount of the portion of the loan recorded in borrowings.

## **4.18. Taxes**

---

### **4.18.1. Current taxes**

The Group calculates its income tax in accordance with the tax laws in force in the countries where its income is taxable. The Group recognises the corporate value added tax (*cotisation sur la valeur ajoutée des entreprises* – CVAE), based on the value added resulting from the company financial statements, on the “Income tax expense” line in the consolidated statement of comprehensive income.

#### **4.18.2. Deferred tax**

In accordance with IAS 12 *Income Taxes*, deferred taxes are recognised on temporary differences between the carrying amounts of assets and liabilities and their taxable amounts. Under the liability method, they are calculated based on the expected tax rate for the year in which the asset is liquidated or the liability settled. The effects of changes in tax rates from one year to another are recognised in profit or loss for the year in which the change occurs. Deferred tax relating to items recognised directly in equity is also recognised directly in equity.

A deferred tax liability is recognised in respect of temporary differences relating to investments in subsidiaries unless the Group is able to control the date on which the temporary difference is reversed, or if the temporary difference will not be reversed in the foreseeable future.

Deferred tax assets arising from temporary differences, tax-loss carry-forwards and tax credits are limited to the estimated amount of tax whose recovery is deemed probable. This probability is assessed at the end of the year, based on earnings forecasts for the various fiscal entities. Deferred tax assets and liabilities are not discounted.

#### **4.19. Balance sheet presentation – Current/Non-current**

---

For the majority of the Group’s activities, it has been decided that the criterion for this classification is the date of liquidation of the asset or settlement of the liability: current if less than 12 months and non-current if more than 12 months.

#### **4.20. Revenue recognition**

---

The Group’s revenue is derived mainly from the following products and services:

- Network sales revenues: entry fees of new franchisees; franchise and communication fees charged to franchisees. Revenue is recognised as and when control of the service is transferred over the duration of the franchise agreement; revenue in the form of fees is recognised on the date on which the underlying sale occurs.
- Network sales revenues include sales to franchisees of lenses, contact lenses and frames through the Group’s central purchasing structure. These sales of products trademarked ALAIN AFFLELOU are recognised on the date of transfer of control to exclusive distributors and franchisees. Referral, delcredere and distribution commissions to referenced suppliers and finder’s fees are accounted for as and when sales are made.
- Revenues from directly owned stores: retail sales of directly owned stores operating under the “ALAIN AFFLELOU” and “OPTICAL DISCOUNT” banners, and sales resulting from the “ALAIN AFFLELOU ACOUSTICIEN” hearing aid activity. Revenue is recognised on the date of transfer of control.

The Group’s revenue is reported net of guarantees and discounts granted.

#### **4.21. Cost of purchases**

---

The cost of the Group’s purchases includes the supply cost of goods sold, namely:

- The purchasing cost of eyeglass frames
- The purchasing cost of eyeglass lenses
- The purchasing cost of contact lenses
- The purchasing cost of accessories and other goods
- Change in inventories of all of the above purchases



- The cost of communication purchases

#### **4.22. Operating income from ordinary activities and other non-recurring operating items**

---

Operating income from ordinary activities includes all income and expenses resulting directly from the Group's activities, whether such income is recurring or stems from one-off decisions or transactions. To facilitate the reading of the income statement and the Group's performance, unusual and significant items for the consolidated group are recorded under "Other non-current operating items". Other operating income and expenses, excluded from operating income from ordinary activities, notably include:

- restructuring costs and costs relating to employee retraining measures;
- impairment losses on fixed assets, which are recognised primarily following impairment testing of cash-generating units (CGU) and goodwill;
- capital gains or losses resulting from changes in the scope of consolidation (acquisitions or disposals);
- major disputes.

These items, excluded from operating income due to their nature, amount or frequency, cannot be considered as part of operating income from the Group's ordinary activities, and correspond to major events that are both limited in scope and very unusual.

#### **4.23. Operating profit**

---

Operating profit includes all income and expenses resulting directly from the Group's activities, whether such income is recurring or stems from one-off decisions or transactions, as well as unusual and significant items for the consolidated group, which are recorded under "Other non-recurring operating items".

### **5. Segment reporting**

---

#### **5.1. Organisation of the Group by geographical operating segments**

---

The Group breaks its segment reporting down by geography into three areas, namely "France", "Spain" and "Other countries".

The "France" and "Spain" segments both include a franchisor activity with a central purchasing unit, a central listing and payment unit, and directly owned stores. The "France" segment also includes an audio business operated under a master franchise agreement. The Group has replicated the established organisation of its French operations in Spain, and aims ultimately to repeat this process in the "Other countries" segment. The "Other countries" segment notably includes Belgium, Switzerland and Portugal. This segment includes a central purchasing unit in Belgium, and has only a few directly owned stores in Portugal.

The segment reporting presented here was prepared on the basis of the internal reporting data reviewed by the Chairman and CEO, the Group's "chief operating decision maker" within the meaning of IFRS 8, who analyses the performance of the various segments and allocates resources between them.

Assessment of the Group's results is performed in reference to key financial indicators related to business performance. Alongside the main headings of the consolidated income statement, the key financial indicators used to measure segment performance are adjusted EBITDA and adjusted EBIT. These two indicators are Alternative Performance Indicators defined in the last section of this note, and are reconciled with operating income.

Within the Group's segment reporting by geographical area, two companies are naturally classified in "Other countries":

- The trading company specialising in exclusive eyeglass frames, based in Switzerland (AAB)
- The Luxembourg franchisor company (AAI), which holds international supplier contracts for the entire Group.

The trading activity (AAB) and international supplier contract activity (AAI) impact the entire Group. The geographical location in which they are legally based does not necessarily imply an exclusive activity in the “Other countries” segment. To facilitate the readability of the results, the Group has decided to allocate the results of these trading and supplier contract activities across all three segments, using the following allocation key:

- The result of the AAB trading branch in Switzerland is reallocated on the basis of the originating country of franchisees’ purchases in proportion to the number of exclusive eyeglass frames delivered during the year;
- Commissions earned on the Group’s international supplier contract activity and recognised as revenue by the AAI international franchisor subsidiary are reallocated by country of origin in proportion to the purchasing volumes of the relevant suppliers.

The chief operating decision maker does not review a geographical breakdown of information regarding the Group’s assets and liabilities.

No customer accounts for more than 10% of the Group’s revenue.

The information on the Group’s various activities and services is provided in Note 1.2, Note 3.20 on revenue recognition and Note 6.1.1 on revenue by activity.

(in thousands of euros)	31/07/2019 (12 months)	31/07/2018 (12 months)
France	280,761	287,360
Spain	77,409	79,283
Other countries	14,820	13,656
<b>Revenue</b>	<b>372,990</b>	<b>380,299</b>
France	67,461	67,325
Spain	12,098	10,331
Other countries	2,279	1,371
<b>Adjusted EBITDA</b>	<b>83,838</b>	<b>79,027</b>
France	(7,010)	(8,949)
Spain	(1,896)	(2,665)
Other countries	(752)	(764)
<b>Depreciation, amortisation and impairment</b>	<b>(9,658)</b>	<b>(12,378)</b>
France	62,889	58,701
Spain	10,182	7,605
Other countries	1,527	593
<b>Adjusted EBIT</b>	<b>74,598</b>	<b>66,899</b>
France	779,204	777,139
Spain	109,156	111,505
Other countries	17,761	17,630
<b>Property, plant and equipment, and intangible assets</b>	<b>906,121</b>	<b>906,274</b>

## 5.2. *Reconciliation of adjusted EBIT and adjusted EBITDA with operating income from ordinary activities*

Adjusted EBIT is defined as operating income from ordinary activities as presented in the Group’s consolidated financial statements before the impact of shareholders’ management fees.

Adjusted EBITDA is defined as operating income from ordinary activities as presented in the Group’s consolidated financial statements, less depreciation and amortisation of property, plant and equipment, and intangible assets, changes in provisions for trade receivables and inventories, and shareholders’ management fees.



It is calculated as follows:

(in thousands of euros)	31/07/2019 (12 months)	31/07/2018 (12 months)
Operating income from ordinary activities	73,548	65,829
Shareholders' management fees	1,050	1,071
<b>Adjusted EBIT</b>	<b>74,598</b>	<b>66,899</b>
Amortisation of intangible assets	2,638	2,697
Depreciation of property, plant and equipment	5,357	6,329
Change in customer provisions and inventories	1,245	3,101
<b>Adjusted EBITDA</b>	<b>83,838</b>	<b>79,027</b>

### 5.3. Discontinued operations

Management undertook a plan to dispose of the entire Optimil business during fiscal 2018 as part of a strategic decision to refocus the Group on its key areas of expertise (see highlights). This transaction was finalised in October 2018. In addition, as of 31 July 2018, the Optivisao securities were classified as assets held for sale with no impact on the income statement. The Group sold its stake in the year ended 31 July 2019 (see highlights). These two transactions were classified as assets held for sale in fiscal 2018.

#### 5.3.1. Net income of discontinued operations

(in thousands of euros)	31/07/2019 (12 months)	31/07/2018 (12 months)
Revenue	119	714
Cost of purchases	(476)	(480)
Wages and salaries including social security contributions	(68)	(342)
Other purchases and external expenses	(118)	(260)
Duties and taxes other than income tax	(6)	(7)
Depreciation, amortisation and impairment	395	(669)
<b>Operating income from ordinary activities</b>	<b>(154)</b>	<b>(1,044)</b>
Other non-recurring operating items	(190)	(2,418)
<b>Operating profit</b>	<b>(344)</b>	<b>(3,463)</b>
Financial income	11	
Borrowing costs	4	
Other financial expenses	(88)	(233)
<b>Net financial income/(expense)</b>	<b>(72)</b>	<b>(233)</b>
<b>Net income before tax of consolidated companies</b>	<b>(416)</b>	<b>(3,696)</b>
Tax income/(expense)	(786)	1,264
<b>Net income of discontinued operations</b>	<b>(1,202)</b>	<b>(2,432)</b>

#### 5.3.2. Impact of discontinued operations on the indicator monitored by management

(in thousands of euros)	31/07/2019 (12 months)	31/07/2018 (12 months)
Operating income from ordinary activities	(154)	(1,044)
Amortisation of intangible assets	5	25
Depreciation of property, plant and equipment	1	13
Change in customer provisions and inventories	(401)	631
<b>Adjusted EBITDA</b>	<b>(549)</b>	<b>(376)</b>

## 6. Notes to the consolidated financial statements

### 6.1. Notes to the income statement

The amounts disclosed in the income statement for the year ended 31 July 2017 have been restated for the Optimil business, now held for sale (see Note 5.3).

#### 6.1.1. Revenue

(in thousands of euros)	31/07/2019 (12 months)	31/07/2018 (12 months)
Network sales revenue	98,974	93,002
Network purchases revenue	162,371	174,111
Revenue from directly owned stores	111,645	113,186
<b>Consolidated revenue</b>	<b>372,990</b>	<b>380,299</b>

The breakdown of revenue by product is as follows:

(in thousands of euros)	31/07/2019 (12 months)	31/07/2018 (12 months)
Optical revenue	365,189	372,847
Audio revenue	7,801	7,452
<b>Consolidated revenue</b>	<b>372,990</b>	<b>380,299</b>

#### 6.1.2. Wages and salaries including social security contributions

(in thousands of euros)	31/07/2019 (12 months)	31/07/2018 (12 months)
Wages	(39,612)	(40,955)
Social security contributions	(15,665)	(16,684)
Research tax credit	455	258
Competitiveness and employment tax credit (CICE)	379	997
Employee profit sharing	(1,377)	(1,014)
<b>Wages and salaries including social security contributions</b>	<b>(55,820)</b>	<b>(57,398)</b>

- The research tax credit (*crédit d'impôt recherche* – CIR) was recorded as a reduction in expenses in the amount of €731 thousand in the year ended 31 July 2019 (€455 thousand as a reduction in personnel expenses and €276 thousand as a reduction in other purchases and external expenses). In the year ended 31 July 2018, the reduction in expenses was €389 thousand (€258 thousand as a reduction in personnel expenses and €131 thousand as a reduction in other purchases and external expenses).
- The competitiveness and employment tax credit (*crédit d'impôt pour la compétitivité et l'emploi* – CICE) was recorded as a reduction in personnel expenses in the amount of €379 thousand in the year ended 31 July 2019 (€997 thousand in the year ended 31 July 2018). The decrease is attributable chiefly to the elimination of the tax credit as of 1 January 2019, replaced by a reduction in employer contributions.

### 6.1.3. Workforce at year-end

Workforce	31/07/2019 (12 months)	31/07/2018 (12 months)
France	686	691
Spain	547	575
Other countries	51	45
<b>Workforce</b>	<b>1,284</b>	<b>1,311</b>

### 6.1.4. Other purchases and external expenses

(in thousands of euros)	31/07/2019 (12 months)	31/07/2018 (12 months)
Rental fees and related costs	(17,904)	(19,418)
Outsourcing, fees and miscellaneous services	(12,461)	(11,635)
Maintenance and repair expenses	(2,981)	(3,032)
Other purchases	(7,722)	(6,928)
<b>Other purchases and external expenses</b>	<b>(41,069)</b>	<b>(41,013)</b>

### 6.1.5. Depreciation, amortisation and impairment

(in thousands of euros)	31/07/2019 (12 months)	31/07/2018 (12 months)
Amortisation of intangible assets	(2,638)	(2,697)
Depreciation of property, plant and equipment	(5,357)	(6,329)
Additions/Reversals – Provisions for trade receivables and inventories	(1,245)	(3,101)
Additions/Reversals – Provisions for retirement benefits	(146)	(215)
Additions/Reversals – Current provisions for risks and charges	(272)	(36)
<b>Depreciation, amortisation and impairment</b>	<b>(9,658)</b>	<b>(12,378)</b>

### 6.1.6. Other non-recurring operating items

(in thousands of euros)	31/07/2019 (12 months)	31/07/2018 (12 months)
Capital gains/(losses) on asset disposals, net of reversals of impairment on disposals and closures	(1,913)	(1,321)
Additions/Reversal of impairment, excluding reversals on disposals and closures	(2,123)	(7,213)
Capital gains/(losses) on asset disposals, net of reversals of impairment on disposals and closures	(160)	(1,321)
Additions/Reversal of impairment, excluding reversals on disposals and closures	(4,483)	(3,654)
<b>Other non-recurring operating items</b>	<b>(8,679)</b>	<b>(13,508)</b>

Capital gains/(losses) on disposal include the transfer of LOA and AAO leasehold rights recognised over the period and the impact of store closures, as well as the gross carrying amount of the HAPPYVIEW trademark and the capital gain on the sale of Optimisao shares, deconsolidated during the year.

Additions and reversals of provisions for asset impairment primarily include the impairment of leasehold rights recognised over the period (see Note 6.2.5) as well as goodwill impairment (see Note 6.2.2).

- As of 31 July 2019, this item also includes a €535 thousand impairment of the MALENTILLE trademark and a €1,400 thousand impairment of the HAPPYVIEW trademark.

- As of 31 July 2018, this item also includes a €1,400 thousand impairment of the HAPPYVIEW trademark.

Additions/Reversals of non-current provisions for risks and charges for the year ended 31 July 2018 primarily include a €1,486 thousand Optical Finance provision for VAT litigation with the tax authorities and the net reversal of non-recurring provisions for vacant premises in the amount of €243 thousand

The Other line primarily includes:

- for the year ended 31 July 2019: costs related to the aborted €1,890 thousand refinancing plan and early lease termination compensation in the amount of for €237 thousand;
- for the year ended 31 July 2018: costs related to the aborted €2,531 thousand refinancing plan.

#### 6.1.7. Net financial income/(expense)

(in thousands of euros)	31/07/2019 (12 months)	31/07/2018 (12 months)
Income from other investments	348	373
Other financial income	336	668
Reversals of financial provisions	1,524	2,295
<b>Financial income</b>	<b>2,208</b>	<b>3,336</b>
Interest on convertible bonds	(34,868)	(49,338)
Interest on other bonds (high yield)	(18,210)	(24,239)
Other financial expenses	(794)	(774)
<b>Gross borrowing costs</b>	<b>(53,871)</b>	<b>(74,351)</b>
Financial provisions	(1,451)	(1,539)
Miscellaneous financial expense	(2,315)	(1,332)
<b>Financial expense</b>	<b>(57,637)</b>	<b>(77,222)</b>
<b>Net financial income/(expense)</b>	<b>(55,429)</b>	<b>(73,886)</b>

Financial income of €2,208 thousand in the year ended 31 July 2019 was derived chiefly from interest on vendor loans, application fees and interest on advances to franchisees, as well as foreign exchange gains. In the year ended 31 July 2018, financial income amounted to €3,336 thousand and was of the same nature.

The miscellaneous financial expense of €2,315 thousand reported in the year ended 31 July 2019 related chiefly to foreign exchange losses. In the year ended 31 July 2018, the miscellaneous financial expense amounted to €1,332 thousand and was of the same nature.

(in thousands of euros)	31/07/2019 (12 months)	31/07/2018 (12 months)
<b>Gross borrowing costs</b>	<b>(53,871)</b>	<b>(74,351)</b>
Capitalised interest expense	34,868	49,338
Accrued interest	890	1,180
<b>Net interest paid</b>	<b>(18,113)</b>	<b>(23,833)</b>

#### 6.1.8. Income tax

##### 6.1.8.1. Tax group

A tax group agreement was applied during the fiscal year between AFFLELOU and the following companies: 3ABOD, ALAIN AFFLELOU FRANCHISEUR, 3ABOE, OPTICAL FINANCE, LOA and LSFA. It does not provide for the reallocation to loss-making subsidiaries of tax savings generated by the parent company and its French subsidiaries. The parent keeps such tax savings. In Spain, the tax group comprises

ALAIN AFFLELOU ESPANA, AAO OPTICO, AA LATAM, OPTICAL FINANCE ESPANA and ALAIN AFFLELOU AUDIOLOGO.

#### 6.1.8.2. Income tax

Tax proof	31/07/2019 (12 months)	31/07/2018 (12 months)
Consolidated profit before tax	9,441	(21,565)
Theoretical tax rate	34.43%	34.43%
<b>Theoretical Group tax</b>	(3,251)	7,425
Effect of differences in tax rate	412	519
Tax losses created but not capitalised during the period	(517)	(692)
Capitalisation of tax losses not generated during the year	7,275	
Effect of DT liability method	(5)	15,851
Non-deductible interest	(4,553)	(5,857)
Other permanent differences	85	(290)
French corporate value added tax (CVAE)	(1,134)	(1,114)
Tax credits	252	134
<b>Income tax income (expense) recognised <sup>(1)</sup></b>	(1,435)	15,977
of which current tax	(3,576)	(3,712)
of which deferred tax	2,141	19,688
Average effective tax rate	15.20%	74.08%

<sup>(1)</sup> The tax expense recognised has been adjusted in 2019 and 2018 for the tax expense of discontinued operations in the amounts of €(786) thousand and €1,264 thousand respectively.

#### Current tax

(in thousands of euros)	01/08/2018 (12 months)	Impact in net income	Working capital flows	Change in scope and forex rates	31/07/2019 (12 months)
Current tax receivables	6,043	(871)	(3 445)	729	2,456
Current tax liabilities	5,917	10	(4,639)	73	1,361
<b>Current tax</b>	<b>(126)</b>	<b>881</b>	<b>(1,193)</b>	<b>(656)</b>	<b>(1,094)</b>

#### 6.1.8.3. Deferred tax

(in thousands of euros)	31/07/2018	Impact in net income	Other compre- hensive income	Change in Group scope	Other movements	31/07/2019
Tax loss carryforwards	59,287	3,774				63,060
Security acquisition costs	2,266	(77)				2,189
Retirement provisions	322	38	26	244		630
Employee profit sharing	314	62				377
Financial instruments	(14,108)	(301)			2,517	(11,892)
Fair value remeasurement of trademarks and other intangible assets <sup>(1)</sup>	(178,011)	(733)		6		(178,737)
Regulated provisions	(4,540)	(39)		(219)		(4,797)
Impairment of intangible assets	8,417	177				8,594
Other temporary differences	2,228	(1,547)	30	36	202	948
<b>Net deferred tax</b>	<b>(123,824)</b>	<b>1,355</b>	<b>56</b>	<b>68</b>	<b>2,719</b>	<b>(119,627)</b>
Balance sheet presentation:						
Deferred tax assets	2,780	(3,150)	60	74	2,719	2,482
Deferred tax liabilities	(126,603)	4,505	(4)	(6)		(122,109)

<sup>(1)</sup> The fair value remeasurement of trademarks and other intangible assets results from the allocation to trademarks and other intangible assets of business combinations performed by the Group.

Deferred tax assets representing tax losses are not recognised in the following situations:

- When they relate to companies outside the tax group that have been loss-making for several years and for which a return to profit is not deemed likely in the near future.
- When they relate to tax losses that are unlikely to be used in view of the earnings outlooks of the companies in question and the information available as of the date of the financial statements.

As of the balance sheet date, the stock of unrecognised tax losses was as follows:

(in thousands of euros)	31/07/2019		31/07/2018	
	Tax losses	Amount of tax	Tax losses	Amount of tax
<b>French companies:</b>				
Tax losses of companies belonging to a tax group			21,127	5,457
Tax losses generated prior to entry into the tax group	4,727	1,627	5,891	2,028
Tax losses excluding the tax group	9,376	2,344	5,229	1,307
<b>Foreign companies:</b>				
Tax losses of the Portuguese company	3,287	690	2,613	549
Tax losses of companies in other countries	670	111	869	168
<b>Total</b>	<b>18,060</b>	<b>4,772</b>	<b>35,730</b>	<b>9,509</b>

The losses of the French tax group including AFFLELOU, AAFR, 3ABOD, 3ABOE, OPTICAL FINANCE, LOA and LSFA can be carried forward for an unlimited period. Losses before the entry into the tax group of L'Opticien Afflelou (LOA) can be carried forward for an unlimited period on an individual basis. Losses before the entry into the tax group of F2L, ACADEMIE VISION, GROUPE OPTICAL MEDITERANEE and CATHARE OPTIQUE can be carried forward for an unlimited time on an individual basis.

For French companies, the amount of tax losses offset in a given fiscal year may not exceed €1 million, plus 50% of the amount of the profit against which deficits are offset above this threshold. Losses can only be carried back to the year prior to that in respect of which the tax loss is recognised, within a limit of €1 million.

In Portugal, losses generated by AAP between 2010 and 2013 must be used within five years. Losses generated since 2014 must be used within 12 years. In addition, effective 1 January 2012, the amount of losses that may be offset in a given fiscal year is capped at 75% of taxable income for that year.

The tax losses of Spanish companies can be carried forward for a period of no more than 18 years. The absorption of Cecimar Opticos, Paladio Vision, Feyla Opticos SL and Opticas Azahar SL by AAO resulted in the loss of unused tax losses.

### 6.1.9. Earnings per share

Basic earnings per share are calculated based on the weighted average number of outstanding shares less the weighted average number of shares held by consolidated companies.

Diluted earnings per share are based on the weighted average number of shares defined above, plus the weighted average number of potentially dilutive common shares. Potentially dilutive shares are: shares granted in connection with convertible bonds issued at the time of the Group's refinancing on 17 July 2012, which include bonds convertible into shares (OCA), i.e. potentially 96,264,603 shares; and shares granted in connection with class A mezzanine equity warrants, i.e. potentially 6,596,000 shares, and class B mezzanine equity warrants, i.e. potentially 9,520,000 shares.

The instruments issued by the Group did not have any dilutive effect in fiscal 2018 or 2019. The maximum number of potential dilutive shares in future years is 112.380.603 shares.

## 6.2. Notes to the balance sheet

### 6.2.1. Trademarks

As of 31 July 2019, the trademarks were valued at a total of €657,065 thousand, compared with €657,600 thousand as of 31 July 2018.

(in thousands of euros)	31/07/2019			31/07/2018		
	Gross	Impairment	Net	Gross	Impairment	Net
Alain Afflelou	650,000		650,000	650,000		650,000
Optical Discount	5,600		5,600	5,600		5,600
HappyView				1,400	(1,400)	0
Malentille.com	2,000	(535)	1,465	2,000		2,000
Optimil				4,255	(4,255)	0
<b>Total</b>	<b>657,600</b>	<b>(535)</b>	<b>657,065</b>	<b>663,255</b>	<b>(5,655)</b>	<b>657,600</b>

The Group was the subject of two successive acquisitions following its delisting in 2007, with a final acquisition on 17 July 2012 by Lion Seneca Lux 2 (LSL2) via its LSF1 holding company subsidiary (now known as AFFLELOU). This resulted in the valuation of the Alain Afflelou trademark at €650 million as part of the accounting for the takeover pursuant to IFRS 3. The Group has revised its e-commerce strategy, aiming to capitalise on the main branded website, using the skills and experience acquired from malentille.com and happyview.fr. Under this strategy, the HappyView brand has been abandoned in favour of Alain Afflelou and the branded website. The Malentille.com brand has been impaired in the amount of the difference between its historical value and the revenue achieved over the year.

### 6.2.2. Goodwill

(in thousands of euros)	01/08/2018	Additions	Other movements	31/07/2019
Gross amount	173,523	769	(48)	174,244
Accumulated impairment	(2,045)	(769)		(2,814)
<b>Net amount</b>	<b>171,478</b>	<b>0</b>	<b>(48)</b>	<b>171,430</b>

The increase of €769 thousand in the gross value reflects the goodwill recorded following the consolidation of Cecimar Opticos, Paladio Vision and AAOC Mag in the amount of €771 thousand. This goodwill was fully impaired in the year. Other movements reflect the disposal of the share of goodwill allocated to the HappyView trademark.

### 6.2.3. Intangible assets

#### 6.2.3.1. Net intangible assets

(in thousands of euros)	31/07/2019			31/07/2018		
	Gross	Impairment Amortisation	Net	Gross	Impairment Amortisation	Net
Leasehold rights – Franchisor	6,153	(102)	6,051	5,849	(150)	5,699
Leasehold rights – LOA group	61,393	(25,427)	35,967	59,956	(27,064)	32,891
Leasehold rights – AAO group	25,704	(12,067)	13,637	28,766	(13,984)	14,782
Concessions, patents	13,124	(9,030)	4,094	13,201	(9,574)	3,627
Other intangible assets	974	(119)	854	989	(135)	853
<b>Total</b>	<b>107,348</b>	<b>(46,745)</b>	<b>60,602</b>	<b>108,761</b>	<b>(50,908)</b>	<b>57,853</b>

#### 6.2.3.2. Gross amounts

Changes in intangible assets during the period are as follows:

(in thousands of euros)	01/08/2018	Additions	Disposals, transfers	Other movements	Change in scope	31/07/2019
Leasehold rights – Franchisor	5,849	304	0			6,153
Leasehold rights – LOA group	59,956	2,147	(3,660)	88	2,863	61,393
Leasehold rights – AAO group	28,766	0	(4,068)		1,006	25,704
Concessions, patents	13,201	2,676	(3,517)	721	43	13,124
Other intangible assets	989	789	(16)	(788)	0	974
<b>Total</b>	<b>108,761</b>	<b>5,916</b>	<b>(11,261)</b>	<b>21</b>	<b>3,912</b>	<b>107,348</b>

Acquisitions of intangible assets in fiscal 2019 totalled €5,916 thousand, breaking down as €2,451 thousand in leasehold rights and €2,676 thousand in concessions and patents invested in France and Spain. The “Leasehold rights – Franchisor” line includes the leasehold to the store on the Champs Elysées, 75008 Paris, held by AAFR, as well as leasehold rights held directly by AAE and AAP. Other movements mainly reflect the capitalisation of intangible assets in progress for AAFR in the amount of €649 thousand and AAI in the amount of €58 thousand in the year.

#### 6.2.3.3. Impairment and loss of value

(in thousands of euros)	01/08/2018	Additions, loss of value	Reversals, disposals	Other movements	Change in scope	31/07/2019
Leasehold rights – Franchisor	(150)	(26)	54	20		(102)
Leasehold rights – LOA group	(27,064)	(663)	2,301		0	(25,427)
Leasehold rights – AAO group	(13,984)	(252)	2,236		(68)	(12,067)
Concessions, patents	(9,574)	(2,644)	3,262	(33)	(41)	(9,030)
Other intangible assets under construction	(135)		16			(119)
<b>Total</b>	<b>(50,908)</b>	<b>(3,585)</b>	<b>7,870</b>	<b>(13)</b>	<b>(109)</b>	<b>(46,745)</b>

#### 6.2.4. Property, plant and equipment

(in thousands of euros)	31/07/2019			31/07/2018		
	Gross	Impairment Depreciation	Net	Gross	Impairment Depreciation	Net
Buildings	97	(97)		97	(97)	
Industrial machinery and equipment	24,802	(19,006)	5,796	27,270	(19,688)	7,582
Technical equipment under finance leases	0	0	0	844	(800)	44
Other property, plant and equipment	26,724	(15,646)	11,079	29,510	(18,010)	11,501
Assets under construction	149		149	218		218
<b>Total</b>	<b>51,772</b>	<b>(34,748)</b>	<b>17,024</b>	<b>57,939</b>	<b>(38,595)</b>	<b>19,344</b>

##### 6.2.4.1. Gross amounts

(in thousands of euros)	01/08/2018	Acquisitions	Disposals, transfers	Other movements	Change in scope	31/07/2019
Buildings	97					97
Industrial machinery and equipment	27,270	1,141	(4,553)	109	835	24,802
Technical equipment under finance leases	844		(844)			0
Other property, plant and equipment	29,510	3,637	(7,685)	236	1,026	26,724
Assets under construction	218	297		(366)		149
<b>Gross total</b>	<b>57,939</b>	<b>5,075</b>	<b>(13,082)</b>	<b>(21)</b>	<b>1,861</b>	<b>51,772</b>

Acquisitions of property, plant and equipment in fiscal 2019 totalled €5,075 thousand, breaking down as €3,986 thousand in France, €1,011 thousand in Spain and €79 thousand in Other countries. Additions relate to fittings in the directly owned store network and acquisitions of stores during the period. Disposals and transfers mainly concern the assets of stores sold by the directly owned store network over the period. Changes in scope mainly reflect the consolidation of AAOC Mag.

##### 6.2.4.2. Depreciation and impairment



(in thousands of euros)	01/08/2018	Depreciation and provisions	Reversals, disposals	Other movements	Change in scope	31/07/2019
Buildings	(97)					(97)
Industrial machinery and equipment	(19,688)	(1,909)	3,167	(37)	(539)	(19,006)
Technical equipment under finance leases	(800)	(20)	821			0
Other property, plant and equipment	(18,010)	(3,428)	6,415	50	(673)	(15,646)
Assets under construction						
<b>Total</b>	<b>(38,595)</b>	<b>(5,357)</b>	<b>10,403</b>	<b>13</b>	<b>(1,212)</b>	<b>(34,748)</b>

### 6.2.5. Impairment testing of non-current intangible assets

#### 6.2.5.1. Nature of impairment testing

The Group first tests lease and similar rights on directly owned stores, then trademarks and ultimately goodwill. Directly owned stores are a first-level asset CGU; operating segments are a goodwill CGU.

Impairment testing of leasehold rights is performed on a store-by-store basis, based on the estimated market value. When in the course of negotiations the Group has indicative offers, it uses them to measure the recoverable amount. In other cases, the recoverable amount is the probable selling price, calculated on the basis of a percentage of the annual revenue before VAT of each store, in line with potential market conditions.

In 2016, the original goodwill was allocated, following the change in the Group's internal reporting structure, to the "France", "Spain" and "Other countries" operating segments in proportion to their contribution to adjusted EBITDA. Insofar as the Alain Afflelou trademark does not generate on its own account cash flows substantially independent from those generated by other corporate assets, it was allocated to the three country CGUs as described above for goodwill. The OPTICAL DISCOUNT and Malentille.com trademarks and goodwill have been allocated to the "France" operating segment.

#### 6.2.5.2. Impairment testing methodology – Estimates for the calculation of value in use

Future cash flow projections are made on the basis of budgets and medium-term business plans approved by the Board of Directors. These plans are built on a five-year timeframe. In addition to the five-year business plan established by the Group, the key assumptions used as of 31 July 2019 and 31 July 2018 are a perpetual growth rate of 1.5% and a discount rate of 7.5% (except for the Spain CGU, for which a discount rate of 8% was used).

#### 6.2.5.3. Impairment testing results

##### 6.2.5.3.1. Impairment testing of leasehold rights in 2018 and 2019

The leasehold rights held by LOA and AAO were tested as of 31 July 2018 and 2019. Impairment losses were recognised on these assets in the amounts of €915 thousand as of 31 July 2019 and €4,296 thousand as of 31 July 2018, with reversals in the amounts of €3,988 thousand as of 31 July 2019 and €2,053 thousand as of 31 July 2018.

##### 6.2.5.3.2. Impairment testing of goodwill and trademarks in 2019

Impairment testing of goodwill and trademarks in 2019 revealed values in use in excess of the net asset value of the France, Spain and Other countries CGUs. An impairment loss of €535 thousand was recorded as of 31 July 2019 on the Malentille.com trademark. A 5.0% variation in adjusted EBITDA in 2019, projected over subsequent years, including the terminal year, would have an impact of approximately €52 million on the recoverable amount of the France CGU, €8 million of the Spain CGU and €2 million of the Other countries CGU, with no impact on the valuation of goodwill or trademarks as of 31 July 2019. The discount rates and the perpetual growth rates for France and Other countries CGUs are 7.5% and 1.5% respectively. The discount rates and the perpetual growth rates for Spain CGUs are 8% and 1.5% respectively. Sensitivity analysis was performed to determine the impact of a 1 percentage point increase or decrease

in the perpetual growth rate and the discount rate used for the tests. It did not reveal any impact on the loss recognised in respect of 2019 for the France, Spain or Other countries CGUs.

#### 6.2.6. Other financial assets

(in thousands of euros)	01/08/2018	Acquisitions	Disposals, transfers	Other movements	Change in scope	31/07/2019
Loans	9,209	1,927	(1,215)	15	(1,229)	8,707
Other financial assets	7,032	905	(1,483)	(12)	150	6,593
<b>Gross total</b>	<b>16,241</b>	<b>2,832</b>	<b>(2,698)</b>	<b>3</b>	<b>(1,079)</b>	<b>15,300</b>
Impairment	(2,492)	(1,618)	1,480		481	(2,150)
<b>Net total</b>	<b>13,749</b>	<b>1,214</b>	<b>(1,218)</b>	<b>3</b>	<b>(598)</b>	<b>13,150</b>

Changes in acquisitions and disposals include vendor loans made on the disposal of stores by AAO and LOA, as well as staggering agreements in respect of receivables granted to certain franchisees by Alain Afflelou Spain. Other financial assets are primarily security deposits.

#### 6.2.7. Inventories

(in thousands of euros)	31/07/2019	31/07/2018
Directly owned store activity	11,921	15,434
Trading activity	19,453	14,752
Other	916	1,416
<b>Total merchandise inventories</b>	<b>32,290</b>	<b>31,602</b>
Provisions	(4,398)	(3,416)
<b>Net total</b>	<b>27,892</b>	<b>28,186</b>

The "Directly owned stores" line includes property dealer stock in the amount of €773 thousand as of 31 July 2019 and €761 thousand as of 31 July 2018.

#### 6.2.8. Trade receivables

(in thousands of euros)	31/07/2019	31/07/2018
Franchise and communication fees	56,035	51,057
Listing fees, and delcredere and distribution commissions	6,289	8,455
Sales of exclusive products	652	9,665
Directly owned stores	5,642	8,834
Other receivables	500	2,140
<b>Gross total</b>	<b>69,118</b>	<b>80,151</b>
Provisions	(8,420)	(10,363)
<b>Net total</b>	<b>60,699</b>	<b>69,788</b>

The following table shows the maturity of trade receivables:

(in thousands of euros)	31/07/2019	31/07/2018
<b>Gross total</b>	<b>69,118</b>	<b>80,151</b>
Not due	50,658	48,973
Less than 30 days	3,080	3,829
30 days to 60 days	838	2,988
60 days to 90 days	107	1,718
More than 90 days	14,435	22,643

### 6.2.9. Trade payables

The following table shows the maturity of trade payables and related accounts:

(in thousands of euros)	31/07/2019	31/07/2018
<b>Gross total</b>	<b>44,294</b>	<b>39,539</b>
Not due	40,961	38,167
Less than 30 days	2,493	410
30 days to 60 days	169	36
60 days to 90 days	11	7
More than 90 days	660	920

### 6.2.10. Other current assets and liabilities

#### 6.2.10.1. Other current assets

(in thousands of euros)	31/07/2019	31/07/2018
Personnel	123	243
State: income tax receivables	2,455	6,043
State: other tax receivables	10,634	10,871
Sundry debtors	62,147	71,655
Receivables on disposal of assets	1,653	818
Prepaid expenses	5,667	4,635
<b>Total</b>	<b>82,680</b>	<b>94,265</b>

The main items classified under sundry debtors are as follows:

(in thousands of euros)	31/07/2019	31/07/2018
Amounts due from franchisees to the central payment structure	49,557	59,325
Credit notes receivable from the central purchasing structure	6,580	5,664
Cash advances	668	820
Other receivables	5,342	5,846
<b>Total</b>	<b>62,147</b>	<b>71,655</b>

#### 6.2.10.2. Other current liabilities

(in thousands of euros)	31/07/2019	31/07/2018
Social security liabilities	,685	9,098
Tax liabilities	10,753	11,187
Sundry creditors	68,330	73,483
Deferred income	13,080	13,054
<b>Total other current liabilities</b>	<b>101,847</b>	<b>106,822</b>

The table below shows the maturity of accounts payable:

(in thousands of euros)	31/07/2019	31/07/2018
Central payment activity	49,205	56,020
Central lens purchasing structure	15,285	13,930
Other liabilities	3,841	3,533
<b>Total</b>	<b>68,330</b>	<b>73,483</b>

### 6.2.11. Cash and cash equivalents

The Group's cash and cash equivalents consist primarily of bank current accounts.

### 6.2.12. Share capital

As of 31 July 2019, the share capital amounted to €233,531,553.20, consisting of 437,325,006 fully paid-up shares with a par value of 0.534 euro each, of which 418,937,316 common shares, breaking down as 16,592,177 class D preference shares and 1,795,513 million class E preference shares. The Group's common shares carry one vote; they give rights to dividends and the liquidation surplus, after the rights attached to preference shares have been satisfied. Preference shares do not carry voting rights.

Class D preference shares have priority rights to all distributions of dividends, reserves or premiums until full payment of the cumulative annual D priority dividend equal to 14% of the issue price (including bonus, where applicable) and capitalised (for the portion of the dividend not paid in respect of prior years) annually (at each reporting date) on the basis of a 360-day year and for the first time at the date of the first closing following the date of issue of the class D preference shares.

Each class E preference share carries 4.127 voting rights and a financial right and a corresponding right in the event of liquidation or exit, within the limits of (i) Articles 9.6, 9.7 and 9.8 of the Articles of Incorporation and (ii) the rules referred to in Schedule 2 of the Articles of Incorporation, financial rights and rights in the event of liquidation or exit attached to 4.127 common shares.

#### Securities giving access to the capital:

16,166,000 AFFLELOU mezzanine warrants, including 6,596,000 tranche A AFFLELOU mezzanine warrants conferring the right to subscribe for a maximum of 6,596,000 common shares of AFFLELOU SAS, subject to any adjustments, and 9,520,000 tranche B AFFLELOU mezzanine warrants conferring the right to subscribe for a maximum number of 9,520,000 common shares, subject to any adjustments.

No dividends were paid in respect of fiscal 2018 in 2019.

### 6.2.13. Employee benefits and similar

These benefits primarily cover retirement allowances in France.

#### Retirement allowances in France

In France, the retirement allowance is a lump sum paid to employees when they retire. The amount depends on the length of the individual's service as of the date of retirement. It is determined on the basis of collective and/or company agreements. The plan does not entitle employees to any allowance until they reach retirement age (unvested). Retirement allowances are not linked to other standard pension benefits such as pensions paid by Social Security or supplementary pension funds (ARRCO and AGIRC).

The assumptions used by the collecting body are as follows:

- mortality table: TF00-02,
- rules governing retirement benefits: from the national collective agreement for eyewear retail,
- retirement age: 63 years for the Manager category, 62 years for the Technician category (franchisor) and 63 years for the Technicians category (directly owned stores);
- 62 years for the Worker/Employee category,
- type of retirement: voluntary departure,

Assumptions	31/07/2019	31/07/2018
Rate of employers' contributions (franchisor)	46.7%	52.0%
Rate of employers' contributions (directly owned stores)	36.0%	47.0%
Rate of wage increases (franchisor)	2.8%	1.5%
Rate of wage increases (directly owned stores)	1.5%	1.0%
Rate of staff turnover (franchisor)	5.7%	7.0%
Rate of staff turnover (directly owned stores)	13%	12.4%
Discount rate	1.0%	1.4%

Actuarial gains and losses were recognised in “Other comprehensive income” in accordance with IAS 19R in the negative amount of €76 thousand net of deferred taxes in fiscal 2019 and the negative amount of €4 thousand net of deferred taxes in fiscal 2018. Defined benefit plans account for the full expense of €146 thousand in fiscal 2019 (€214 thousand in fiscal 2018).

#### Mandatory supplementary pensions (LPP) in Switzerland

The pension plan is affiliated with a collective foundation. The foundation bears the investment and longevity risk, and transfers some of the risk to an insurance company. The Group has no liabilities in respect of medical expenses.

#### **6.2.14. Current and non-current provisions**

(in thousands of euros)	01/08/2018	Additions	Utilisation	Reversals of surplus provisions	Other movements	31/07/2019
Provisions for litigation	2,086	407	(426)	(40)		2,027
Provisions for taxes						
Other provisions	2,233	1,036	(323)	(236)	(97)	2,612
<b>Total non-current provisions</b>	<b>4,319</b>	<b>1,443</b>	<b>(749)</b>	<b>(277)</b>	<b>(97)</b>	<b>4,639</b>
Provisions for other expenses	239		(239)			
Provisions for risks	53		(70)		97	80
Provisions for returned goods risk						
<b>Total current provisions</b>	<b>292</b>		<b>(309)</b>		<b>97</b>	<b>80</b>
<b>Total provisions</b>	<b>4,610</b>	<b>1,443</b>	<b>(1,058)</b>	<b>(277)</b>		<b>4,719</b>

#### Non-current provisions:

Provisions for litigation comprise cases before industrial tribunals and VAT litigation. Other provisions comprise various provisions for tax risks or other operating risks with certain franchisees or suppliers.

#### Current provisions:

As of 31 July 2019, current provisions mainly include provisions in respect of franchisees.

As of 31 July 2018, current provisions mainly include provisions in respect of suppliers.

#### **6.2.15. Financial liabilities**

##### **6.2.15.1. Analysis of borrowings and other financial liabilities**

(in thousands of euros)	31/07/2019		31/07/2018	
	Current portion	Non-current portion	Current portion	Non-current portion
Bonds convertible into shares		198,696		204,879
Bonds convertible into class D preference shares				1,253
<b>I) Total convertible bonds</b>		<b>198,696</b>		<b>206,132</b>
Senior secured fixed rate notes	2,783	248,259	2,796	247,763
Senior secured floating rate notes	223	163,851	246	173,434
<b>II) Medium-term external borrowings</b>	<b>3,007</b>	<b>412,109</b>	<b>3,042</b>	<b>421,196</b>
Finance leases			23	21
Medium-term loans	140	454	350	0
Bank overdrafts and assignment of trade receivables	22		119	
Security deposits		1,334		1,318
<b>III) Total other financial borrowings</b>	<b>163</b>	<b>1,788</b>	<b>492</b>	<b>1,339</b>
<b>Total (I+II+III)</b>	<b>3,169</b>	<b>612,594</b>	<b>3,534</b>	<b>628,668</b>

The current portion of the senior secured notes and senior notes corresponds mainly to accrued interest as of 31 July 2019 and 31 July 2018.

#### 6.2.15.2. *Change in borrowings*

(in thousands of euros)	31/07/2019	31/07/2018
<b>Opening borrowings</b>	632,202	750,709
Loans	998	425,277
Repayment of borrowings	(62,646)	(452,534)
Interest expense for the period	35,727	50,518
Change in bank overdrafts	(97)	(53)
Change in Group scope	(168)	(1,261)
Other movements	9,747	(140,455)
<b>Closing borrowings</b>	<b>615,764</b>	<b>632,202</b>

Other movements in the year ended 31 July 2019 include the impacts of the capitalisation of convertible bond interest on consolidation in the amount of €9.7 million. Other movements in the year ended 31 July 2018 include the conversion of convertible bonds in the amount of €135 million.

#### 6.2.15.3. *Breakdown of the main sources of funding*

##### 6.2.15.3.1. *High-yield bond debt of €415 million*

In October 2017, the Group went ahead with the early redemption of the two bonds on 3ABOD and LSF2, in the amounts of €365 million and €75 million respectively, via the issuance of a new high-yield bond in a total amount of €425 million on 3ABOD, and using cash and cash equivalents for the rest. 3ABOD issued €425 million in senior secured notes on 16 October 2017, with redemption at maturity on 15 October 2023. The bond is split into two tranches, one of €250 million at a fixed rate of 4% per annum and the other of €175 million at a floating rate of Euribor +4.125%. The fixed-rate tranche is redeemable early under certain conditions, with penalties, until 1 April 2022. The floating-rate tranche may be redeemed early, without penalties, from 1 October 2019.

This high-yield bond is subject to limited financial constraints:

- The Group is not subject to compliance with financial ratios such as a leverage ratio (Net Debt/EBITDA).
- The restrictions primarily relate to the realisation of transactions requiring additional funding (incurring additional indebtedness, making investments, etc.).
- In terms of collateral, the new bonds mainly benefit from the pledge in favour of their holders of shares of the major Group companies, as well as the pledge of the Group's main bank accounts.

Under the terms of these bonds, the Group must report its quarterly condensed consolidated financial statements and its annual audited consolidated financial statements within two and four months respectively. The Group considers itself to have been in compliance with all the conditions of these bonds as of 31 July 2019. In June 2019, an amount of €10 million was redeemed early on a floating-rate tranche of €175 million, bringing the total bond debt down to €415 million at the end of July 2019.

##### 6.2.15.3.2. *Revolving credit facility of €30 million*

The new bond was accompanied by the establishment of a €30 million revolving credit facility (RCF). This is a precautionary facility allowing the Group to cover its current requirements. It was established on 17 October 2017, with a term of 54 months from its inception. The applicable interest rate is a variable rate combining Euribor and a margin, the margin being calculated on the basis of a leverage ratio. A non-use commission is applicable in proportion to the margin by draws. The securities of AFFLELOU, LSF2 and 3ABOD have been pledged as collateral, as have the securities of potentially borrowing subsidiaries (3ABOD, AAFR, LOA, 3ABOE, AAE and AAO) and the main bank accounts. The early repayment of the

RCF would not generate penalties. This credit facility has been undrawn since its establishment. Reporting obligations are the same as for bond lenders. The Group must also certify, period-by-period, that the adjusted EBITDA of the prior 12 months is above €45 million. The most recent such report was made for the quarter ended 30 April 2019. The Group considers itself to have been in compliance with the terms of this credit facility as of 31 July 2019.

#### 6.2.15.3.3. Convertible bonds issued by AFFLELOU

(in thousands of euros)	01/08/2018	Reductions	Capitalisation of interest	31/07/2019
Issuance of convertible bonds	78,915	(14,030)		64,885
Capitalisation of interest	127,217	(28,273)	34,868	133,812
<b>Total</b>	<b>206,132</b>	<b>(42,303)</b>	<b>34,868</b>	<b>198,697</b>

On 17 July 2012, AFFLELOU issued 201,489,998 convertible bonds (OCA) at a price of 1 euro at par, paying a fixed interest rate of 14%. As of 31 July 2019, the OCA were valued at €245,016,309, after the capitalisation of interest. Interest on the OCA is capitalised (the first capitalisation took place on 31 July 2013), and payment will be made either on the date of redemption or the date of conversion. The convertible bonds mature on 17 July 2027. Conversion is possible at any time, on the basis of one share for one bond. Early repayment is possible at the issuer's initiative, subject to the conditions of the subordination agreement, or, at the holder's initiative, subject to compliance with the terms of the subordination agreement, in case of change of control or IPO. On 17 July 2012, AFFLELOU issued 1,820,000 bonds convertible into class R preference shares (OC ADP) at a price of 1 euro at par, paying a fixed interest rate of 14%. On 31 July 2019, the Group went ahead with the early redemption of the balance of the bonds convertible into preference shares (OC ADPD).

#### Equity component of convertible bonds:

The convertible bonds were recorded as debt and as equity. As of the date of issue, in accordance with IAS 32, the debt component was measured by discounting the value of the contractual cash flows of the convertible debt at an estimated market rate of 17% (see Note 3.17.2). The difference between the value of the compound instrument and the debt component has been recorded in equity in "Other reserves" in the initial amount of €66,274 thousand. As of 31 July 2019, the instrument was valued at €31,380 thousand in equity. The net impact on shareholders' equity of the repayment of convertible bonds during the period amounted to €7,230 thousand.

#### 6.2.15.4. Breakdown of borrowings by maturity

(in thousands of euros)	Current	Non-current	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total as of 31/07/2019
Carrying amount of convertible bonds		198,696					198,696	198,696
<b>I) Total convertible bonds</b>		<b>198,696</b>					<b>198,696</b>	<b>198,696</b>
Senior secured fixed rate notes	2,783	248,259				248,259		251,042
Senior secured floating rate notes	223	163,851				163,851		164,074
<b>II) Medium-term external borrowings</b>	<b>3,007</b>	<b>412,109</b>				<b>412,109</b>		<b>415,116</b>
Finance leases								
Medium-term loans	140	454	140	140	140	33		595
Bank overdrafts and assignment of trade receivables	22							22
Security deposits		1,334	1,334	140				1,334
<b>III) Total other financial borrowings</b>	<b>162</b>	<b>1,788</b>	<b>1,474</b>	<b>140</b>	<b>140</b>	<b>33</b>		<b>1,951</b>
<b>Total (I+II+III)</b>	<b>3,169</b>	<b>612,594</b>	<b>1,474</b>	<b>140</b>	<b>140</b>	<b>412,143</b>	<b>198,696</b>	<b>615,763</b>

Following the issuance of the €425 million bond, the Group established an interest rate hedge covering the full floating rate tranche of €165 million as of 31 July 2019. It thus acquired options to cap the floating rate indexed to 3M Euribor at 0% over the 2018 and 2019 calendar years. In addition, at the end of 2018, the Group established two new optional hedges of €50 million each to cap the floating rate indexed to 3M Euribor at 0.25% over the 2020 calendar year, and 0.50% over the 2020 and 2021 calendar years.

### **6.3. Notes on risk exposure**

As of 31 July 2019, exposure to various market risks can be analysed as follows:

#### **6.3.1. The Group's position in relation to interest rate risk**

The Group's exposure to interest rate risk as of 31 July 2019 is immaterial.

The Group's policy is to ensure that its exposure to interest rate risk is on fixed-rate borrowings or on floating rate borrowings by contracting derivative instruments to hedge the volatility of cash flows attributable to interest rate risk.

#### **6.3.2. The Group's position in relation to currency risk**

The Group has little exposure to the risk of exchange rate fluctuations, which relate primarily to the euro/dollar exchange rate, reflecting the Group's purchases, which are predominantly denominated in US dollars. To address this risk, the Group has:

- established agreements on purchasing conditions with some of its suppliers, on the basis of a fixed dollar/euro exchange rate, and more specifically with Okia, its main supplier, with which a derivative embedded in the supply contract allows the impact of changes in the dollar/euro exchange rate compared with the rate set in the contract to be shared equally between the two parties, and
- ensured that the terms of purchasing agreements can be renegotiated in the event of an appreciation of the dollar against the euro.

#### **6.3.3. The Group's position in relation to credit risk**

The large number of customers means that there is no concentration of credit risk on the receivables held by the Group. Generally speaking, the Group considers that it is not exposed to specific credit risk on its financial assets, except in France, where secured transactions in payments to suppliers result in del credere commissions.

#### **6.3.4. The Group's position in relation to liquidity risk**

Management of liquidity risk by the Group and each of its subsidiaries is monitored closely and periodically assessed, based on Group financial reporting procedures. The Group has a €30 million undrawn revolving credit facility to cover any short-term liquidity risk, in addition to an unconfirmed bank overdraft and discounted trade receivables.

### **6.4. Notes on the accounting classification and fair value of financial instruments**

(in thousands of euros)	31/07/2019	Market value	Breakdown by accounting classification		
	Carrying amount		Fair value through equity	Loans and receivables	Amortised cost
Non-current financial assets	13,150	13,150		13,150	
Trade receivables	60,699	60,699			60,699
Cash and cash equivalents	35,743	35,743		35,743	
Convertible bonds	198,696	198,696			198,696
Medium-term external borrowings	415,115	424,188			424,188
Other financial borrowings	1,951	1,951			1,951



Trade payables	44,294	44,294	44,294
----------------	--------	--------	--------

The valuation methods used for financial instruments as of 31 July 2019 are as follows:

- derivative financial instruments recorded in assets are valued at their market value;
- financial instruments recorded in liabilities, specifically other loans, are measured using other valuation methods such as discounted cash flows, taking into account the Group's credit risk and interest rate conditions at the closing date.

The Group distinguishes three classes of financial instrument:

- Level 1: financial instruments measured using prices quoted in an active market;
- Level 2: financial instruments measured at fair value using valuation techniques based on observable market parameters;
- Level 3: financial instruments measured at fair value using valuation techniques based on unobservable parameters (parameters yielding valuations resulting from assumptions not based on observable market transaction prices for the same instrument or observable market data available as of the balance sheet date) or that are based only partially on such parameters.

The Group's medium-term external borrowings (high-yield bonds traded on the Irish Stock Exchange) belong to the Level 1 category; all other financial instruments belong to the Level 3 category.

The tables above provide the following information for the various classes of financial instrument:

- in the first column: the carrying amount
- in the second column: fair value pursuant to IFRS 7.25
- in the third column: the IAS 39 category under which they are valued pursuant to IFRS 7.8.

## 6.5. Notes on the statement of cash flows

### 6.5.1. Cash and variations

Cash net of overdrafts amounted to €35,721 thousand as of 31 July 2019 (€37,490 thousand as of 31 July 2018), corresponding to the amount of cash and cash equivalents presented in the statement of cash flows.

(in thousands of euros)	31/07/2019	31/07/2018
Cash and cash equivalents	35,743	37,609
Bank overdrafts	(22)	(119)
<b>Total</b>	<b>35,721</b>	<b>37,490</b>

## 6.6. Contingent liabilities, off-balance sheet contractual commitments and contingencies

### 6.6.1. Off-balance sheet commitments

(in thousands of euros)	31/07/2018	31/07/2019	Less than 1 year	1 to 5 years	More than 5 years
<b>A – Commitments given</b>					
Lease commitments – office space	4,026	2,720	1,426	1,185	108
Lease commitments – stores	25,153	24,870	12,900	11,923	47
Lease commitments – operating leases	1,003	313	184	130	
Sundry guarantees to third parties	10,524	17,773	4,575	13,154	44
Securities and bank guarantees – Spain	11,072	9,293	2,072	6,169	1,052
Securities and bank guarantees – France	3,415	4,970	2,517	2,453	0
<b>Total commitments given</b>	<b>55,193</b>	<b>59,939</b>	<b>23,674</b>	<b>35,013</b>	<b>1,252</b>
<b>B – Commitments received</b>					
Lease commitments – office space	66				
Guarantees related to stores sold by the Group	12,039	12,817	4,565	6,603	1,649
Liabilities related to the central payment structure	6,160	6,423	2,498	3,540	384
Securities and bank guarantees – Other	0	1,098	600	498	0

<b>Total commitments received</b>	<b>18,265</b>	<b>20,337</b>	<b>7,663</b>	<b>10,641</b>	<b>2,033</b>
-----------------------------------	---------------	---------------	--------------	---------------	--------------

Lease payments relate to the buildings occupied by the Group, either as offices or commercial premises (opticians), with marginal lease payments on operating leases corresponding primarily to leased computer hardware without purchase commitments.

Sundry guarantees to third parties correspond to rental obligations that the Group has kept with some lessors on stores sold, in exchange for similar commitments received in the Group's favour, from franchisee buyers. Moreover, these guarantees varied considerably during the past year, following the signing by the Group of preliminary purchase contracts on 13 stores from two franchisees, and at the same time were reduced as a result of the lifting of a preliminary purchase contract relating to the portfolio of 6 stores of AAOC Mag.

Bonds and bank guarantees given cover liabilities to banks financing franchisees, either as part of acquisitions or openings of outlets or assistance with funding refurbishments or working capital. Secured loans are part of the overall budgets. The Group is involved in these transactions in its capacity as guarantor to these banks of the financing they provide to franchisees in the proportion of 100% of each application for financing, up to a maximum portion usually set at approximately 30%.

Commitments received related to the central payment structure consist mainly of pledges and guarantees made by the franchisees on schedules or agreements covering the repayment of the debts of the central payment structure.

- Measurement of commitments: property lease commitments are measured on the basis of the period remaining until the end of the lease (without possibility of early release), as are other leases, which relate chiefly to computer hardware. It is also noted that commitments in respect of finance leases and operating leases relating primarily to the assets of stores (furniture, optical equipment, etc.) are not included in the Group's debt as reported in the table above if they do not include specific commitments.
- Commitments received as part of the relationship with franchisees: under franchise agreements, franchisees are encouraged to make personal guarantees in favour of the Group for the obligations and liabilities they incur to the Group's central payment structure. These guarantees are generally prorated at 30% of annual sales excluding VAT in France and Spain; only guarantees and sureties related to franchisees' specific debts (agreements, staggered payments, vendor loans) are shown in the table of commitments received.

The sureties and bank guarantees received correspond to the bank guarantee obtained for the deferred settlement of the proceeds from the sale of its stake in Optivisao to BRODHEIM.

### **6.6.2. Dependence of the Group on patents, licences and supply contracts**

The Group is not significantly dependent on patents, licenses or supply contracts.

### **6.6.3. Notification, lawsuits and disputes**

Companies belonging to the Group may become involved in lawsuits or litigation in the normal course of their business, including disputes with tax, social security or customs authorities.

On 27 May 2015, the French Competition Authority notified Alain Afflelou Franchiseur of grievances, accusing it of "having colluded with providers of eye- and sunglass frames, from 2003 at the latest and until 2009, to fix retail prices and to impede the fixing of prices through free competition in violation of the provisions of Article L.420-1 of the French Commercial Code and Article 101 paragraph 1 of the TFEU".

Alain Afflelou Franchiseur responded to the grievances laid out by the French Competition Authority on 27 July 2015, vigorously contesting them on all points. In July 2016, Alain Afflelou Franchiseur received a report from the French Competition Authority in response. The report rejects the arguments put forward by Alain Afflelou Franchiseur, but nevertheless narrows the period of the alleged practices, stating that the practices at issue were spread as regards Alain Afflelou Franchiseur between 25 February 2005 and 31 December 2009. The report also caps the potential penalty at approximately €12.5 million.

The French Competition Authority issued a decision on the vertical agreement grievances on 24 February 2017. It decided to refer the issue back for further investigations. It is difficult to predict the outcome of the new investigation, bearing in mind that it was deemed at this stage of the proceedings that collusion had not been identified. The referral should result in a complementary notification. It is not possible to assess the amount of any fine to which Alain Afflelou Franchiseur may be liable if the case brought by the French Competition Authority is successful.

Alain Afflelou Franchiseur, which continues to believe itself to be in the right, intends to continue contesting the French Competition Authority's allegations vigorously. Accordingly, no provision for this litigation has been recorded in the Group's consolidated financial statements.

On 8 December 2017, the Group received a notification from the tax authorities following an audit of VAT deducted by Optical Finance in the years 2014 to 2016. Adjustments notified by the tax authorities amounted to €1.5 million.

Following receipt of the tax authorities' assessment on 16 August 2018, the Group decided to pay the sum corresponding to the principal adjustment of €966 thousand. Nevertheless, the Group referred the matter to the Paris administrative tribunal, considering the authorities' position to be unfounded. The Group also called the vendor warranties issued by the vendor shareholders on its acquisition of Optical Finance, which are capped at €1 million.

No litigation involving companies belonging to the Group is underway that, in the opinion of legal experts, poses a risk to the Group's normal and foreseeable operations or planned development. The Group does not believe there to be any other disputes involving significant prospective risks liable to affect its assets, results or financial condition for which provisions had not been set aside as of the year-end. No dispute, taken individually, is significant at either the individual company or Afflelou Group level. The Group is not aware of any other litigation or arbitration liable to have or having had in the recent past a significant impact on the Afflelou Group's financial position, business or earnings.

Deferred tax assets in respect of tax loss carryforwards total €64 million as of 31 July 2019. Certain tax loss carryforwards are the subject of proposed tax adjustments issued by the tax authorities. The main proposed adjustment was notified in December 2018 in respect of the income tax expense for fiscal years ended 31 July 2013, 2014 and 2015. It concerns the deductibility of the 14% interest expense on the convertible bonds issued in July 2012 as part of the Group's acquisition by LBO, in an amount of approximately €202 million. The French tax authorities reject the deductibility of the interest on these convertible bonds on the grounds that the issue of these bonds is equivalent to equity financing by major shareholders, which constitutes an abuse of law. The Group, on the basis of the analysis carried out at this stage by our legal and tax advisers, challenged this proposed adjustment in a response sent to the French tax authorities in February 2019. It has consequently not changed its approach to tax loss carryforwards as recorded in the balance sheet. Nevertheless, if the position of the French tax authorities prevails, the possible resolution of this procedure would reduce the amount of tax loss carryforwards (approximately €51 million in deferred tax assets according to initial estimates), and could result in payment of income taxes for the years subject to adjustments. In this context, the maximum estimated outflow would be €10 million.

## **6.7. Related parties**

---

### **6.7.1. Related-party transactions and balances**

The main related parties with which the Group carried out transactions are as follows:

- Lion Seneca Lux 2, leading shareholder of the Company and the entities that control it:
  - Lion Capital provides management services to AFFLELOU. In respect of such services, the Group recorded expenses of €1,050 thousand in fiscal 2019 and €1,071 thousand in fiscal 2018.
  - Lion Seneca Lux 2 held 82,468,590 bonds convertible into common shares of the Company as of 31 July 2019, compared with 99,575,377 bonds convertible into common shares of the Company and 711,895 bonds convertible into class D preference shares of the Company as

of 31 July 2018. The corresponding investments amounted to €209,902 thousand as of 31 July 2019 and €223,528 thousand as of 31 July 2018, of which €30,930 thousand and €43,802 thousand in capitalised interest in respect of fiscal 2019 and 2018 respectively.

- Afflelou has also signed a €2,000 thousand loan agreement with Lion Seneca Lux 2. The balance was €149 thousand as of 31 July 2019 and €326 thousand as of 31 July 2018. Interest income amounted to €36,000 in the year ended 31 July 2019, compared with €79 thousand in the year ended 31 July 2018
- Alain Afflelou, his family members and the entities they control:
  - The AAOC holding company holds 13,796,013 bonds convertible into common shares of the Company. The corresponding investments amounted to €35,114 thousand as of 31 July 2019 and €37,438 thousand as of 31 July 2018, of which €5,181 thousand and €7,346 thousand in capitalised interest in respect of fiscal 2019 and 2018 respectively.
  - The AAOC and AA CONSEIL LIMITED holding companies, managed by Alain Afflelou, provide services to AAI. The AAOC holding company granted a concession for the exploitation of the rights to the personality attributes of Alain Afflelou, and the related expense was €100 thousand in fiscal 2019 and €100 thousand in fiscal 2018. The Group's debt to the AAOC holding company was €14 thousand as of 31 July 2019 and €10 thousand as of 31 July 2018. AA CONSEIL LIMITED provides business strategy consulting services, the net expense of which was €234 thousand in fiscal 2019 and €136 thousand in fiscal 2018. The Group had a receivable of €29 thousand against AA CONSEIL LIMITED as of 31 July 2019, compared with a debt €34 thousand as of 31 July 2018.
  - The AAOC holding company granted a concession for the exploitation of the rights to the personality attributes of Alain Afflelou in favour of Lion Seneca France Audio profit (LSFA), the expense of which was €50 thousand in fiscal 2019 and €50 thousand in fiscal 2018.
  - The AA fils holding company and AA Conseil Limited sublease some of the premises of AAI. In the year ended 31 July 2019, the Group's revenue was €10 thousand and the receivable was €6 thousand.
  - AAOC Mag., which managed leasehold and other rights to six stores operating under the ALAIN AFFLELOU banner and a leasehold and other rights under the OD banner as of 31 July 2019, was acquired by the Group for €3,044 thousand in the year ended 31 July 2019. AAOC had mandated LOA to manage these stores on its behalf. The Group invoiced €1,777 thousand in fiscal 2019 and €2,002 thousand in fiscal 2018; it was billed €27 thousand in fiscal 2019 and €174 thousand in fiscal 2018. The Group's debt was €327 thousand as of 31 July 2018.
  - The Fondation ALAIN AFFLELOU, a Spanish law corporate foundation created by AAE. The foundation received €11 thousand in fiscal 2019 and €22 thousand in fiscal 2018.
  - The Fonds de Dotation ALAIN AFFLELOU, an endowment fund created by AAFR and chaired by Alain Afflelou. The foundation received €5 thousand in fiscal 2019 and €11 thousand in fiscal 2018.

## **6.7.2. Compensation paid to corporate officers**

### **6.7.2.1. Short-term benefits**

The compensation paid by the Group to the members of the Board of Directors, both in respect of their employment contract and as executives, amounted to €340 thousand in fiscal 2019 and €586 thousand in fiscal 2018.

### **6.7.2.2. Long-term benefits**

Other than the benefits related to the defined benefit pension plan, described in 6.2.14, the Company is required to pay the Chairman in the event of termination of his employment contract, which is suspended during the term of his corporate office:

- a gross monthly salary of a fixed aggregate amount equal to 50% of the monthly average compensation throughout the duration of the clause (i.e. 12 months), if the non-compete clause is activated;
- a gross amount equal to 18 months' salary in the event of dismissal not motivated by misconduct or gross negligence;

- a specific indemnity in the event of dismissal where the conditions for receiving a full-rate pension or unemployment compensation by Pôle Emploi during 36 months or a disability pension of the second or third category are not filled, this compensation to be paid for a period of 36 months from the date of his effective departure provided he is registered as a jobseeker with Pôle Emploi.

#### 6.8. Statutory auditors' fees

(in thousands of euros)	31/07/2019				31/07/2018			
	Deloitte network	EY	Other	Total	Deloitte network	EY	Other	Total
Certification of separate and consolidated accounts	166	290	30	487	211	256	28	495
Non-audit services	155	195		350	331	393		724
<b>Total</b>	<b>321</b>	<b>485</b>	<b>30</b>	<b>837</b>	<b>542</b>	<b>649</b>	<b>28</b>	<b>1,219</b>

## 7. List of consolidated companies as of 31 July 2018

Name	Registered office	Country	31-July-19			31-July-18		
			Basis of consolidation	% control	% interest	Basis of consolidation	% control	% interest
Afflelou	Paris	France	Parent company	100%	100%	Parent company	100%	100%
3AB Optique Développement (3ABOD)	Paris	France	FC	100%	100%	FC	100%	100%
Alain Afflelou Franchiseur (AAFR)	Paris	France	FC	100%	100%	FC	100%	100%
Alain Afflelou International (AAI)	Luxbg	Luxbg	FC	100%	100%	FC	100%	100%
Alain Afflelou Belgique (AABEL)	Brussels	Belgium	FC	100%	100%	FC	100%	100%
Alain Afflelou España (AAE)	Madrid	Spain	FC	100%	100%	FC	100%	100%
Optical Finance Espana (OFE)	Madrid	Spain	FC	100%	100%	FC	100%	100%
Polus Vision SLU	Madrid	Spain	Sold			FC	100%	100%
Alain Afflelou Audiologo (AAU)	Madrid	Spain	FC	100%	100%	FC	100%	100%
Alain Afflelou Portugal (AAP)	Porto	Portugal	FC	100%	100%	FC	100%	100%
3AB Optique Expansion (3ABOE)	Paris	France	FC	100%	100%	FC	100%	100%
Optical Finance (OF)	Paris	France	FC	100%	100%	FC	100%	100%
AA Asia limited (AAA)	Hong Kong	China	FC	100%	100%	FC	100%	100%
Optical Finance Belgique (OFBEL)	Brussels	Belgium	FC	100%	100%	FC	100%	100%
Lion Seneca France Audio (LSFA)	Paris	France	FC	100%	100%	FC	100%	100%
Digital Eyewear	Paris	France		Merge r		FC	100%	100%
AA Latam	Madrid	Spain	FC	100%	100%	FC	100%	100%
<b>AAO Group:</b>								
F2L	Paris	France	FC	100%	100%	FC	100%	100%
Alain Afflelou Optico (AAO)	Madrid	Spain	FC	100%	100%	FC	100%	100%
Opticas Azahar SI	Castellon	Spain		Merge r		FC	100%	100%
Cecimar Opticos	Vizcaya	Spain		Merge r				
Paladio Vision SI	Cordoba	Spain		Merge r				
Feyla Opticos SI	Badajoz	Spain		Merge r				
<b>LOA Group:</b>								
L'Opticien Afflelou (LOA)	Paris	France	FC	100%	100%	FC	100%	100%
AAOC Mag	Paris	France	FC	100%	100%			
<b>Other directly owned companies:</b>								
Academie Vision	Béziers	France	FC	100%	100%	FC	100%	100%
Groupe Optique Méditerranée	Béziers	France	FC	100%	100%	FC	100%	100%
Cathare Optique	Lezignan Corbieres	France	FC	100%	100%	FC	100%	100%

The Group has a Foundation in Spain, the purpose of which is to promote screening for visual impairments, especially among children. It also has an Endowment Fund in France, the purpose of which is to raise funds for work carried out directly or through associations. The Group also has a charity in France ("Loi 1901"), the purpose of which is to support work of all types in the areas of vision and hearing (improvement, protection and awareness raising). These three interests are not material, and are not consolidated by the Group.

## 8. Subsequent events

No events occurred after the closing date.

## **AFFLELOU**

### **Statutory auditors report on the consolidated financial statements**

For the year ended 31 July 2018

*This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To annual general meeting of Afflelou:

### **Opinion**

In compliance with the engagement entrusted to us by your sole shareholder, we have audited the accompanying consolidated financial statements of Afflelou for the year ended 31 July 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 July 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### **Basis for Opinion**

#### ***Audit Framework***

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

#### ***Independence***

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1<sup>ST</sup> August 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in the French Code of ethics (Code de déontologie) for statutory auditors.

### **Emphasis of Matter**

We draw attention to the following matter described in Note 3.1 to the consolidated financial statements that describes the impact of the revenue recognition standard, IFRS 15, "Revenue from contracts with customers", adopted early by your Company as of 1 August 2017.

### **Justification of Assessments**

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the following assessments that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements. Impairment tests are performed on trademarks, goodwill and other intangible assets with an indefinite useful life in accordance with the method described in Note 6.2.5 to the financial statements. We assessed the



appropriateness of the method implemented based on a range of estimates and examined the data and assumptions used by the group in performing these tests. On this basis, we assessed the reasonableness of these estimates.

### **Verification of the Information Pertaining to the Group Presented in the Management Report**

As required by law, we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the President. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is 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, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations. The consolidated financial statements were approved by the Board of Directors.

### **Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. 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 financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (ode de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. 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.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's 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 Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory

auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Paris-La Défense, 15 November 2018

The Statutory Auditors

**French original signed by**

**CONSTANTIN ASSOCIES**

Member of Deloitte Touche Tohmatsu Limited

Jean Paul Séguret

**ERNST & YOUNG et Autres**

Sébastien Huet

**Afflelou**

Simplified joint stock company with capital of 233,531,553 euros

Registered office: 11 rue d'Argenson, 75008 Paris

751,095,712 Paris Trade and Companies Register

**Consolidated financial statements for the year ended 31 July 2018**

# I – Consolidated statement of financial position

(in thousands of euros)

Assets	Note	31/07/2018	31/07/2017
Trademarks	6.2.1	657,600	660,982
Goodwill	6.2.2	171,478	171,478
Intangible assets	6.2.3	57,853	58,096
Property, plant and equipment	6.2.4	19,344	21,720
Other financial assets	6.2.6	13,749	17,921
Deferred tax assets	6.1.8.4	2,780	2,626
<b>Non-current assets</b>		<b>922,804</b>	<b>932,824</b>
Inventories	6.2.8	28,186	26,192
Trade receivables	6.2.9	69,788	83,123
Other current assets	6.2.11.1	94,265	96,267
Cash and cash equivalents	6.2.12	37,609	35,326
Assets held for sale	6.2.7	2,000	
<b>Current assets</b>		<b>231,848</b>	<b>240,908</b>
<b>Total assets</b>		<b>1,154,653</b>	<b>1,173,732</b>

Equity and Liabilities	Note	31/07/2018	31/07/2017
Share capital	6.2.13	233,532	78,332
Other reserves		10,943	27,724
Net income for the period		(8,021)	(959)
Other comprehensive income		(39)	(285)
<b>Total equity</b>		<b>236,415</b>	<b>104,812</b>
Non-current borrowings	6.2.16	628,668	745,035
Deferred tax liabilities	6.1.8.4	126,604	156,076
Employee benefits and similar	6.2.14	2,009	1,789
Non-current provisions	6.2.15	4,319	2,750
Other non-current liabilities			912
<b>Non-current liabilities</b>		<b>761,601</b>	<b>906,563</b>
Current borrowings	6.2.16	3,534	5,674
Current provisions	6.2.15	292	489
Trade payables	6.2.10	39,539	43,295
Derivative financial liabilities		533	363
Tax payable	6.1.8.3	5,917	6,399
Other current liabilities	6.2.11.2	106,823	106,138
<b>Current liabilities</b>		<b>156,637</b>	<b>162,357</b>
<b>Total equity and liabilities</b>		<b>1,154,653</b>	<b>1,173,732</b>

## II – Consolidated income statement

(in thousands of euros)	Note	31/07/2018 (12 months)	31/07/2017 Restated* (12 months)
Revenue	6.1.1	380,299	371,170
Cost of purchases		(201,165)	(192,934)
Wages and salaries including social security contributions	6.1.2	(57,398)	(57,038)
Other purchases and external expenses	6.1.4	(41,013)	(42,140)
Duties and taxes other than income tax		(2,516)	(2,172)
Depreciation, amortisation and impairment	6.1.5	(12,378)	(8,888)
<b>Operating income from ordinary activities</b>		<b>65,829</b>	<b>67,998</b>
Other non-recurring operating items	6.1.6	(13,508)	(11,641)
<b>Operating profit</b>		<b>52,320</b>	<b>56,356</b>
Financial income		3,336	2,619
Borrowing costs		(74,351)	(74,618)
Other financial expense		(2,870)	(5,250)
<b>Net financial income/(expense)</b>	6.1.7	<b>(73,886)</b>	<b>(77,249)</b>
<b>Net income before tax of consolidated companies</b>		<b>(21,565)</b>	<b>(20,893)</b>
Tax income/(expense)	6.1.8.2	15,977	20,966
<b>Net income of continuing operations</b>		<b>(5,589)</b>	<b>73</b>
Net income of discontinued operations	5.3	(2,432)	(1,032)
<b>Net income</b>		<b>(8,021)</b>	<b>(959)</b>
<b>Earnings per share, basic and diluted (in €)</b>	<b>6.1.9</b>	<b>(0.02)</b>	<b>(0.01)</b>

\* Restated for the Optimil business held for sale (see Note 5.3)

### III – Statement of comprehensive income

(in thousands of euros)	31/07/2018 (12 months)	31/07/2017 (12 months)
<b>Net income</b>	<b>(8,021)</b>	<b>(959)</b>
Exchange differences arising on the translation of foreign operations	(2)	39
Fair value gains (losses) on financial instruments	(38)	
Tax impact of fair value gains (losses) on financial instruments	10	
Fair value gains (losses) on available-for-sale financial assets	354	(195)
Tax impact of fair value gains (losses) on available-for-sale financial assets	(74)	41
<b>Other comprehensive income that may subsequently be reclassified to profit or loss</b>	<b>250</b>	<b>(115)</b>
Actuarial gains and losses on pension obligations	(6)	79
Tax impact of actuarial gains and losses on pension obligations	1	(23)
<b>Other comprehensive income that will not be reclassified to profit or loss</b>	<b>(4)</b>	<b>56</b>
<b>Total other comprehensive income</b>	<b>245</b>	<b>(58)</b>
<b>Total comprehensive income</b>	<b>(7,775)</b>	<b>(1,018)</b>

#### IV – Consolidated statement of cash flows

(in thousands of euros)	Note	31/07/2018 (12 months)	31/07/2017 (12 months)
<b>Operating activities:</b>			
Net income		(8,021)	(959)
Depreciation and amortisation and provisions		28,623	23,019
Reversal of provisions		(7,881)	(13,455)
Capital gains and losses on disposals	6.1.6	3,540	5,186
Tax expense/(income)	6.1.8.2	(17,241)	(21,690)
Borrowing costs	6.1.7	74,351	74,623
<b>Cash flow before borrowing costs</b>		<b>73,372</b>	<b>66,724</b>
Change in inventories		1,387	(3,381)
Change in receivables		1,494	(6,992)
Change in liabilities		(2,845)	484
Prepaid expenses and deferred income		(416)	721
<b>Change in working capital</b>		<b>(380)</b>	<b>(9,167)</b>
Income tax paid		(3,559)	(3,741)
<b>Net cash from/(used in) operating activities</b>		<b>69,432</b>	<b>53,816</b>
<b>Investing activities:</b>			
Purchases of intangible assets	6.2.3.2	(5,054)	(8,411)
Purchases of property, plant & equipment	6.2.4.1	(7,004)	(7,176)
Proceeds from disposals of intangible assets and PP&E		3,185	3,109
Purchases of financial assets	6.2.6	(3,683)	(4,293)
Proceeds from disposals of financial assets	6.2.6	3,114	6,010
Purchases of subsidiaries	4	(1,222)	(1,012)
<b>Net cash from/(used in) investing activities</b>		<b>(10,664)</b>	<b>(11,773)</b>
<b>Financing activities:</b>			
Borrowings	6.2.16.2	425,277	198
Repayment of borrowings	6.2.16.2	(452,534)	(18,541)
Other financial expenses paid		0	(1)
Debt issuance costs		(5,433)	0
Net interest paid	6.1.7	(23,833)	(27,392)
<b>Net cash from/(used in) financing activities</b>		<b>(56,523)</b>	<b>(45,736)</b>
<b>Effect of changes in exchange rates</b>		<b>0</b>	<b>(11)</b>
<b>Change in cash</b>		<b>2,245</b>	<b>(3,704)</b>
Cash and cash equivalents at beginning of period		35,245	38,948
Cash and cash equivalents at end of period	6.5.1	37,490	35,245

## V – Statement of changes in equity

(in thousands of euros)	Number of shares	Share capital	Other reserves (1)	Net income for the year	Other comprehensive income	Total
<b>Shareholders' equity as of 31 July 2016</b>	<b>146,690,002</b>	<b>146,690</b>	<b>(31,028)</b>	<b>(9,606)</b>	<b>(226)</b>	<b>105,830</b>
Appropriation of prior year income			(9,606)	9,606		
Changes in share capital		(68,358)	68,358			
Comprehensive income for the period				(959)	(58)	(1,018)
<b>Shareholders' equity as of 31 July 2017</b>	<b>146,690,002</b>	<b>78,332</b>	<b>27,724</b>	<b>(959)</b>	<b>(285)</b>	<b>104,812</b>
Impact of change in accounting methods (*)			(4,470)			(4,470)
<b>Shareholders' equity as of 1 August 2017</b>	<b>146,690,002</b>	<b>78,332</b>	<b>23,254</b>	<b>(959)</b>	<b>(285)</b>	<b>100,342</b>
Appropriation of prior year income			(959)	959		
Changes in share capital	291,116,001	155,456	(13,144)			145,312
Change in Group scope	(480,997)	(257)	1,793			1,536
Comprehensive income for the period				(8,021)	245	(7,775)
<b>Shareholders' equity as of 31 July 2018</b>	<b>437,325,006</b>	<b>233,532</b>	<b>10,943</b>	<b>(8,021)</b>	<b>(39)</b>	<b>236,415</b>

(1) Including the equity component of convertible bonds (see Note 6.2.16.3.3)

(\*) Application of IFRS 15 "Revenue from Contracts with Customers" (see Note 3.1)



### 1. Overview

#### 1.1. General information on the parent company

The parent company, AFFLELOU (“AA” or “the Company”), is a French joint stock company controlled by LION SENECA Lux 2, headquartered at 11 rue d’Argenson, 75008 Paris. The “Group” comprises the parent company, which wholly owns 3AB OPTICAL DEVELOPMENT (“3ABOD”) and its subsidiaries.

The Board of Directors of AFFLELOU approved the annual financial statements and the consolidated financial statements for the year ended 31 July 2018 on 15 November 2018.

#### 1.2. General information on the Group

The Group is a leader in the market for the distribution of optical products in France and Spain, and a major player in the European markets of Belgium and Switzerland. The Group also operates in various countries in Africa, Asia and America. The Group’s core business is the sale of optical and audio products through a network of franchises and directly-owned stores operating under the “ALAIN AFFLELOU”, “ALAIN AFFLELOU ACOUSTICIEN”, “OPTICAL DISCOUNT” and “OPTIMIL” banners.

The Group has based its expansion strategy on the franchise network. This model is based on revenue generated by sales in franchise networks (mainly franchise fees and communication fees) and through their purchases, through services provided to the suppliers of the various brands, and through direct sales of products to franchisees, notably branded company products.

The Group owns a network of stores so as to (i) retain control over flagship stores located in strategic areas and key geographies, (ii) test new business initiatives and identify best practices before applying them to the franchisees, and (iii) manage the overall store network by temporarily piggy-backing stores that are at the end of a franchise agreement or experiencing difficulties, thereby keeping them within the Group for subsequent transfer to new franchisees.

Lastly, the Group derives part of its revenue from the e-commerce channel, notably with the afflelou.com, malentille.com and opticaldiscount.com websites.

### 2. Highlights

#### 2.1. Change in the networks

The Group had 1,497 stores (1,408 optical stores and 89 audio stores) as of 31 July 2018, compared with 1,474 stores (1,400 optical stores and 74 audio stores) as of 31 July 2017.

The portfolio of 89 audio stores is complemented by 209 spaces in optical stores in France and Spain, bringing the total of audio outlets to 298, compared with 244 as of 31 July 2017.

As of 31 July 2018, the Group operated in 17 countries, split into three zones, France with 978 points of sale, Spain with 378 points of sale, and other countries representing 141 points of sale.

The portfolio of directly-owned stores, located mainly in France and Spain, represented 168 optical stores and 2 audio stores as of 31 July 2018, compared with 179 optical stores and 5 audio stores as of 31 July 2017.

#### 2.2. Refinancing of the group’s borrowings

In October 2017, the Group completely refinanced the €440 million high-yield bond debt (€365 million in senior secured notes issued by 3ABOD and €75 million in senior notes issued by LSF2) via the issue of a new high-yield bond (senior secured notes) issued by 3ABOD in the amount of €425 million.

The features of this bond are similar to those of the pre-existing debt issued by 3ABOD. Its maturity is 6 years. It is split into two tranches, one of €250 million at a fixed rate of 4% per annum and the other of €175 million at a floating rate of Euribor +4.125%, compared with an average rate of 6% per annum for the previous bonds. The collateral attached to the new debt is comparable with that previously in place.

Fixed-rate bonds may be redeemed early under certain conditions, with penalties, until 1<sup>st</sup> April 2022. Floating rate bonds may be redeemed early, without penalties, starting on 1<sup>st</sup> October 2019.

### **2.3. Transactions on capital and securities giving access to the Group's capital**

---

On 13 October 2017, the Group redeemed 4,457,633 convertible bonds for €9.0 million.

On 27 December 2017, the majority shareholders, LSL2 and Holding AA & Fils, subscribed to an Afflelou SAS capital increase in a total amount of €21,097 thousand (share premium included) giving rise to the issuance of 10,217,127 new class D preference shares (ADPD), in exchange for the partial repayment to LSL2 and Holding AAOC (the latter having delegated its right to Holding AA & Fils, the subscriber) of 10,217,127 convertible bonds (OCA) issued by Afflelou SAS. Also on 27 December 2017, (i) the management of Afflelou contributed its stake in Tchin Management 1 (TM1) and Tchin Management 2 (TM2) to Tchin Management 3 (TM3), a newly formed management holding company, and (ii) TM1 and TM2 merged with Afflelou SAS with retroactive effect from 1 August 2017, resulting in a capital reduction of 480,997 shares in a total amount of €257 thousand.

On 28 June 2018, the majority shareholders, LSL2 and Holding AA & Fils, subscribed to an Afflelou SAS capital increase in a total amount of €149,999 thousand, with no share premium, via the issuance of 280,898,875 new common shares, in exchange for the partial repayment to LSL2 and Holding AAOC (the latter having delegated its right to Holding AA & Fils, the subscriber) of 68,063,795 convertible bonds (OCA) issued by Afflelou SAS. On the same date, 1,795,513 class D preference shares (ADPD) were converted into 1,795,513 class E Afflelou SAS preference shares. The class E preference shares are described in section 1.1.1.

On 30 June 2018, Afflelou SAS issued 16,116,000 AFFLELOU mezzanine warrants to replace the LSF2 mezzanine warrants unexercised as of 30 June 2018, the date of the definitive completion of the merger by way of absorption of LSF2 by Afflelou SAS. Of the 16,166,000 AFFLELOU mezzanine warrants issued, 6,596,000 tranche A AFFLELOU warrants give the right to subscribe for a maximum of 6,596,000 common shares of AFFLELOU SAS, subject to any adjustments, and 9,520,000 tranche B AFFLELOU mezzanine warrants give the right to subscribe for a maximum number of 9,520,000 common shares, subject to any adjustments.

### **2.4. Stake in Portuguese group OPTIVISAO**

---

The Group holds a 29.77% stake in OPTIVISAO, a franchise company that ranks among the leaders in the optical sector in Portugal.

During the previous year, certain investors sold their respective stakes, representing a combined total of 59.42% of the share capital, to BRODHEIM. The Group has challenged the terms of these sales, for which it was unable to assert its right of first refusal. As such, the Group has established an escrow arrangement with the Portuguese State, guaranteeing the payment of the securities should the dispute be decided in its favour, allowing it to acquire some of the securities purchased by BRODHEIM, representing a 38.74% interest.

The discussions initiated with the majority shareholder BRODHEIM with a view to reaching an amicable solution to the dispute between the two parties continued during the year, and should soon result in the conclusion of a memorandum of understanding by which AFFLELOU will sell its stake in OPTIVISAO to BRODHEIM. The conclusion of this memorandum would make it possible to conclude the judicial proceedings in progress and thereby recover the amounts sequestered in this context (see Note 6.2.7).

## **2.5. Appointment of Didier PASCUAL as CEO of the Group**

On 4 February 2018, the Group announced the appointment of Didier PASCUAL as Chief Executive Officer to replace LJV Capital represented by Frédéric POUX.

## **3. Accounting policies**

### **3.1. Standards and rules applied**

The Group's consolidated financial statements for the year ended 31 July 2018 were prepared in accordance with the international accounting standards issued by the IASB (International Accounting Standards Board) and adopted by the European Union under European Regulation 1606/2002 dated 19 July 2002. These standards include International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), as well as interpretations issued by the IFRS Interpretations Committee (IFRS IC), as approved in the European Union, application of which was mandatory as of the year under review, which are available on the website of the European Commission (<http://eur-lex.europa.eu/legal-content/>).

The accounting policies applied in the consolidated financial statements are consistent with those used in preparing the consolidated financial statements for the year ended 31 July 2017, with the exception of new standards, amendments and interpretations applicable in financial years beginning on or after 1 August 2017:

#### **Standards, interpretations and amendments mandatory as of 1 August 2017:**

- Amendments to IAS 7 *Disclosure Initiative* – Disclosures related to financing activities;
- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*;
- Annual improvements, 2014-2016 cycle.

These standards and amendments did not have a material impact on the Group accounts as of 31 July 2018.

#### **Standards, interpretations and amendments to standards applied early from 1 August 2017:**

- IFRS 15 *Revenue from Contracts with Customers*.

The Group has early adopted IFRS 15 *Revenue from Contracts with Customers* as of 1 August 2017. The transition was made using the simplified retrospective method, without restatement of the comparative information. This standard is the new unified standard for revenue recognition. It notably replaces IAS 18 *Revenue*, previously applied by the Group.

In preparation for the transition to IFRS 15, the Group first conducted a qualitative and quantitative analysis of the main issues that could impact the financial statements. The conclusions of this analysis and the impacts on the financial statements as of 31 July 2018 are as follows (in thousands of euros):

- The main impact concerns the recognition of sales of Afflelou branded products through a service provider. The impact on opening equity is negative €4,470 thousand.
- The impact reduces revenue for the year by €119 thousand compared with what it would have been under IAS 18.

The Group also analysed the nature of flows and its relationship with franchisees, notably in the context of its central purchasing activity. Given its contractual relationship with suppliers on the one hand and franchisees on the other, the Group concluded that it acts on its own account in these transactions and that purchase and sales transactions should be recognized in their gross amount, without any change compared to the current accounting treatment.

#### **Standards, interpretations and amendments to standards published by IASB and approved or in the process of approval by the European Union, the application of which is not yet mandatory as of 31 July 2018:**

- IFRS 9 *Financial Instruments*.

IFRS 9 is applicable for annual periods beginning on or after 1 August 2018.

The Group will apply IFRS 9 from 1 August 2018 retrospectively with a cumulative catch-up of the impact on equity at the date of first application and without restatement of the comparative information.

On the basis of preliminary work carried out to date, the Group does not expect a material impact.

➤ **IFRS 16 *Leases*.**

IFRS 16 is applicable for annual periods beginning on or after 1 August 2018. This standard, which will supersede IAS 17 and its interpretations, will result in the recognition of most leases under a single model in the balance sheet in the form of a right-to-use asset and a lease liability (abandonment of the classification as operating or finance leases for lessees).

The Group has started work to determine the impact of this standard on its financial statements, but is not yet in a position to provide quantitative information on the prospective impact. The main types of contracts concerned are property leases. The choice of the transition method will be made once the work in progress is concluded.

- Amendments to IFRS 2 *Classification and Measurement of Share-based Payments*;
- Annual improvements, 2015-2017 cycle;
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*;
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*;
- IFRIC 23 *Uncertainty over Income Tax Treatments*.

The Group has elected not to early apply these standards and interpretations. The impact of the application of these amendments and interpretations on the Group's financial statements is currently being assessed.

### **3.2. Basis of consolidation**

---

The consolidated financial statements include the financial statements of acquired entities from the takeover date and those of disposed entities until the date of loss of control.

#### **3.2.1. Consolidated entities**

The Group consolidates entities over which it exercises control, as defined by IFRS 10 *Consolidated Financial Statements*, when it:

- has power over the investee;
- is exposed or has rights to variable returns from its involvement with the investee; and
- has the power to govern the investee's financial and operating policies with a view to obtaining economic benefits.

Reciprocal transactions, assets and liabilities between consolidated companies are eliminated. Income derived from internal transactions with controlled companies is eliminated. The accounting policies of subsidiaries are changed where necessary to ensure consistency of accounting treatment across the Group as a whole.

#### **3.2.2. Associates**

The Group has no interests in joint ventures or associates.

#### **3.2.3. Business combinations**

The Group applies IFRS 3R *Business Combinations*.

Business combinations are accounted for using the purchase method:

- the cost of an acquisition is measured at the fair value of the consideration transferred, including any earn-out payments, at the date of takeover. Subsequent changes in the fair value of an earn-out payment are recognised in profit or loss;
- the difference between the consideration transferred (acquisition price) and the fair value of identifiable assets acquired and liabilities assumed at the date of takeover is represented by goodwill, which is recognised as an asset in the statement of financial position.

The fair value of identifiable assets acquired and liabilities assumed is determined on a provisional basis when the initial assessment or additional analysis is underway on the balance sheet date. Once fair value has been determined, adjustments are recognised as retrospective adjustments to goodwill if they occur within a maximum period of one year from the acquisition date and if they result from facts and circumstances existing as of the acquisition date. Beyond this period, such effects are recognised directly

in profit or loss, as is any change in estimates. For each acquisition of an interest of less than 100%, the proportion of share capital not acquired (non-controlling interests) is measured:

- either at fair value: in this case, goodwill is recognised for the portion related to non-controlling interests (full goodwill method);
- or in accordance with its share of the revalued net assets of the acquired entity: in this case, only goodwill in respect of the acquired share is recorded (partial goodwill method).

Costs directly attributable to the acquisition are expensed as incurred, in “Other non-recurring operating income and expenses”. Adjustments or earn-out payments in respect of business combinations are measured at fair value as of the acquisition date. They are recognised either as adjustments to the consideration transferred or through post-acquisition profit or loss depending on their nature under the provisions of IFRS 3.

In a business combination achieved in stages, the interest previously held by the Group in the acquiree is remeasured at the time of the takeover of the business, at fair value through profit or loss. To determine goodwill as of the takeover date, the fair value of the consideration transferred is added to the fair value previously recorded by the Group. The amount of other comprehensive income previously recognised in respect of the interest held prior to the takeover is recycled in profit or loss.

### **3.3. Basis of valuation, judgements and use of estimates**

The financial statements have been prepared on a historical cost basis, except for cases where IFRS require or permit the use of the fair value option.

The preparation of financial statements requires the use of estimates and assumptions in determining the value of assets and liabilities, appraising contingent assets and liabilities as of the balance sheet date, and valuing income and expenses for the year. Significant estimates made by the Group in the preparation of the financial statements concern the recoverable amount of goodwill and intangible assets (including trademarks) and the measurement of provisions. Due to uncertainties inherent in any valuation process, the Group revises its estimates on the basis of regularly updated information. It is possible that future results could differ from such estimates. The main assumptions and estimates made by the Group are described in specific sections of the notes to the financial statements, and in particular in the following notes:

Note	Estimate	Nature of estimate
3.7 and 6.2.3.3	Impairment testing of intangible assets and property, plant and equipment	At the level of individual CGUs Key assumptions used to determine value in use (discount rate, perpetual growth rate, projected cash flows)
3.12 and 6.2.8	Inventories	Prospective inventory turnover rate used to calculate impairment
3.18.2 and 6.1.8.4	Deferred tax	Assumptions used for the recognition of deferred tax assets relating to tax loss carryforwards and temporary differences

### **3.4. Effects of changes in foreign exchange rates**

#### **3.4.1. Accounting for transactions in foreign currencies**

Transactions denominated in foreign currencies are recorded in the relevant entity's functional currency at the exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currencies are translated at each balance sheet date using the closing exchange rate. Foreign exchange differences resulting from the settlement of such items are recognised in “Other financial income” or “Other financial expense”. When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, the “exchange rate” component of the said gain or loss is also recognised in other comprehensive income. Otherwise, it is recognised in profit or loss for the period. The treatment of foreign exchange rate hedges in the form of derivatives is described under the heading “Derivatives” in Note 3.11. Non-monetary items in foreign currencies measured at historical cost are translated at the transaction date,

and non-monetary items in foreign currencies measured at fair value are translated at the date the fair value was determined.

### **3.4.2. Translation of the financial statements of foreign companies**

The financial statements of each of the companies consolidated by the Group are prepared in their respective functional currency, defined as the currency of the economic environment in which the entity operates. The financial statements of companies whose functional currency is not the euro are translated into euros as follows:

- items in the statement of financial position are translated into euros based on the exchange rate prevailing on the balance sheet date;
- items in the income statement are translated into euros at the average exchange rate for the period, as long as it is not undermined by significant fluctuations;
- differences resulting from the translation of the statement of financial position as of the balance sheet date and the translation of the income statement using the average exchange rate over the period are recognised in other recyclable comprehensive income under "Currency translation".

### **3.5. Intangible assets excluding goodwill**

An intangible asset is a non-monetary item without physical substance that must be both identifiable and controlled by the company as a result of past events. It must also generate future economic benefits. An intangible asset is identifiable if it is separable from the acquired entity or if it is derived from legal or contractual rights. Intangible assets with determinable useful lives are amortised on a straight-line basis over periods corresponding to their anticipated useful life. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually within the cash-generating unit (CGU) to which they belong. Trademarks are classified as assets with indefinite useful lives in application of the following criteria:

- Their overall positioning in their respective market in terms of business volumes and recognition;
- Prospective long-term profitability.

Licences and software have useful lives of between one and four years, and are amortised over the relevant period.

Lastly, leasehold rights are not amortised, but are tested for impairment (Note 3.7).

### **3.6. Property, plant and equipment**

#### **3.6.1. Initial valuation and subsequent measurement**

Items of property, plant and equipment are carried at their historical or production cost or initial consolidation amount, less accumulated depreciation and impairment losses. The carrying amount of property, plant and equipment is not subject to remeasurement, as the Group has not chosen the alternative method allowing the regular remeasurement of one or more categories of property, plant and equipment. The carrying amounts of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

#### **3.6.2. Depreciation**

The Group uses the following depreciation periods for the various items of property, plant and equipment held:

Property, plant and equipment	Useful life	Depreciation method
Buildings	10 to 20 years	Straight line
Industrial machinery and equipment	3 to 10 years	Straight line
Technical equipment under finance leases	3 to 10 years	Straight line
Other property, plant and equipment	5 years	Straight line

### **3.7. Impairment of non-current assets (IAS 36)**



Goodwill, intangible assets with indefinite useful lives and CGUs or groups of CGUs containing such items are subject to routine annual impairment testing as of 31 July each year. Impairment testing is also performed when events or circumstances indicate that goodwill, other intangible assets, property, plant and equipment, CGUs or group of CGUs may be impaired. Such events or circumstances may stem from unfavourable changes affecting either the economic environment or the assumptions or objectives as of the acquisition date.

Impairment testing serves to determine whether the recoverable amount of an asset or CGU or group of CGUs is less than its carrying amount. The recoverable amount of an asset, CGU or group of CGUs is the greater of its fair value less costs to sell and its value in use. Value in use is determined based on projections of expected future cash flows, taking into account the time value of money and the risks specific to the asset, CGU or group of CGUs. To calculate value in use, a terminal value equal to the capitalisation in perpetuity of normative annual cash flows is added to the value of prospective future cash flows. Fair value less costs to sell is the amount that could be obtained from the sale of the asset or group of assets in an arm's length transaction between knowledgeable, willing parties, less costs to sell. When the recoverable amount of the asset, CGU or group of CGUs is less than its carrying amount, an impairment loss is recognised against the relevant asset or group of assets. In the case of a CGU or group of CGUs, the impairment loss is allocated first to goodwill, where appropriate, and is recorded under "Other non-recurring operating items" in the income statement.

Impairment losses recognised in respect of property, plant and equipment and other intangible assets may be reversed later if the recoverable amount later comes to exceed the carrying amount. Impairment losses recognised in respect of goodwill cannot be reversed.

On the partial disposal of a CGU, the value of goodwill allocated to the partial divestment is measured based on the relative values of the disposed business and the portion of the CGU retained unless another method is deemed more pertinent.

### **3.8. Operations discontinued, sold or held for sale**

---

Non-current assets or groups of assets and liabilities are classified as assets held for sale if they are highly likely to be recovered primarily through a sale rather than through continuing use. Such assets (or groups of assets held for sale) are generally recorded at the lower of carrying amount or fair value less costs to sell. Any impairment loss in respect of a group of assets held for sale is allocated first to goodwill and then to other assets and liabilities in proportion to their carrying amount. Impairment losses resulting from the classification of an asset (or group of assets and liabilities) as held for sale as well as gains and losses on subsequent measurement are recognised in profit or loss.

Once classified as assets held for sale, intangible and tangible assets are no longer amortised or depreciated.

Operations discontinued, sold or held for sale are a component of the Group's activities that:

- represents a separate activity or geographical area,
- is part of a single, coordinated plan to dispose of a separate business or geographical area,
- is a subsidiary acquired exclusively for resale.

The classification as a discontinued, sold or held-for-sale business occurs on the date of disposal or at an earlier date when the business meets the criteria to be classified as held for sale.

When an activity is classified as a discontinued operation, the statement of net income and other comprehensive income is restated as if the business had met the criteria for a discontinued operation at the beginning of the comparative period.

### **3.9. Leases**

---

In the course of its various business activities, the Group uses assets made available or makes assets available under lease arrangements. Such leases are analysed on the basis of the situations and indicators set out in IAS 17 *Leases* to determine whether they are operating or finance leases.

- As lessee

- Finance leases: on initial recognition, assets held under finance leases are recognised as property, plant and equipment with offsetting debt. The asset is recognised at the fair value of the leased asset at the date of inception of the contract, or, if lower, at the present value of minimum lease payments. It is depreciated over the term of the contract.
- Operating leases: payments made under operating leases (other than the costs of services such as insurance and maintenance) are expensed in the income statement on a straight-line basis over the term of the lease.
- As lessor  
All lease management contracts signed by the Group with its franchisees are operating leases. Rental income is recognised on a straight-line basis over the fixed terms of commercial leases.

### **3.10. Other financial assets and liabilities**

---

Pursuant to IAS 39, financial assets are classified in one of four categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale financial assets.

The classification determines the accounting treatment of the assets in question. It is determined by the Group on the date of initial recognition, depending on the purpose for which the assets were acquired. Purchases and sales of financial assets are accounted for as of the transaction date, when the Group undertakes to purchase or sell assets. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or the asset is transferred.

#### **1. Loans and receivables**

Loans and receivables are non-derivative financial assets whose payments are fixed or determinable, which are not traded in an active market and which are not held for trading or available for sale. Such assets are initially measured at fair value and subsequently at amortised cost using the effective interest rate method. For short-term receivables with no stated interest rate, the fair value and amortised cost are equivalent to the amount of the original invoice unless the effective interest rate has a significant impact. Such assets are tested for impairment when there is an indication of loss of value. Impairment is recognised if the carrying amount exceeds the estimated recoverable amount. This category consists of vendor loans granted to franchisees who acquire stores from the Group and deposits paid to Group lessors. For vendor loans, amortised cost is equal to the face value, in the absence of significant costs associated with their establishment. Vendor loans can be repaid early as desired by franchisees (using either bank refinancing or their own resources). Receivables related to investments, security deposits, current loans and receivables, and trade receivables are also included in this category. They are classified as current or non-current "Other financial assets" and in "Trade receivables".

#### **2. Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are not included in the above categories. They are measured at fair value. Unrealised gains or losses are recorded in other comprehensive income until the sale is finalised. However, when an available-for-sale financial asset shows objective evidence of impairment, the cumulative loss is recognised in profit or loss. For listed securities, fair value corresponds to market prices. For unlisted securities, it is determined by reference to recent transactions or using valuation techniques based on reliable and observable market data.

### **3.11. Derivatives**

---

In the course of its business, the Group may use various financial instruments to reduce its exposure to foreign exchange and/or interest rate risk. All derivatives are recognised in the balance sheet in other current or non-current assets and liabilities, depending on their maturity and accounting classification, and carried at fair value as of the transaction date. Change in the fair value of derivative instruments is always recognised in profit or loss, except when hedge accounting is applied.

Hedge accounting is only applied if the following conditions are met:

- a hedging relationship is clearly identified, formalised and documented from the date of its inception;



- the effectiveness of the hedging relationship is demonstrated prospectively and retrospectively. Confidence in the results obtained must be within a range of 80% to 125%.

Financial instruments classified as hedging instruments are measured in the balance sheet at their fair value. The effective portion is recognised in other comprehensive income, and the ineffective portion in profit or loss.

### **3.12. Inventories**

---

Inventories in the balance sheet cover inventories of eyeglass frames, contact lenses and contact-lens products (held as part of our central purchasing activity), and the inventories of directly-owned stores (consisting of eyeglass frames, eyeglass lenses, contact lenses and other products). Inventories in the balance sheet may under certain circumstances include stores held temporarily as property dealer. Inventories are valued at their weighted average purchase price. Inventories are impaired to cover any unsold items so as to align them with their realisable values. Inventories held in stores are subject to impairment, in accordance with the following rules:

- 20% for products of more than one year,
- 40% for products of more than two years,
- 80% for products of more than three years,
- 100% for products whose vendors have ceased trading and trademarks that are no longer marketed.

### **3.13. Other current assets and liabilities**

---

#### **3.13.1. Trade receivables and other current assets**

Trade receivables are carried at amortised cost. Receivables relating to the central payment and purchasing activities are included in "Other current assets". An impairment is recognised when the outstanding carrying amount exceeds the recoverable amount. Other current assets chiefly include receivables in respect of the central payment activity, including future settlements to suppliers of franchisees, as well as any discounts granted by such suppliers, to be passed on to franchisees. An impairment is recognised when the outstanding carrying amount exceeds the recoverable amount.

#### **3.13.2. Trade payables and other current liabilities**

Trade payables in respect of overheads and communication and sponsorship expenses are recorded at amortised cost. Other current liabilities chiefly include payables in respect of the central payment activity, including future settlements to suppliers of franchisees, as well as any discounts granted by such suppliers, to be passed on to franchisees.

### **3.14. Cash and cash equivalents**

---

Cash includes cash in bank current accounts and demand deposits. Cash equivalents consist of investments maturing in less than one year from the date of acquisition that are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, held in order to meet short-term cash commitments. Overdrafts are recorded as current borrowings. In the consolidated statement of cash flows, "Cash and cash equivalents" corresponds to the amount presented in the balance sheet less bank overdrafts.

### **3.15. Provisions and contingent liabilities**

---

A contingent liability is:

- a possible obligation arising from past events and whose existence will be confirmed only by the occurrence (or not) of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation arising from past events but which is not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - the amount of the obligation cannot be measured with sufficient reliability.

A provision is recognised when the Group has a probable obligation arising from past events, the settlement of which is expected to lead to an outflow of Group resources without an equivalent or greater incoming amount that can be estimated reliably. Identified risks of all types, including operational and financial, are subject to quarterly monitoring to determine the amount of provisions necessary. A provision for vacant retail space is recorded when a retail space is unoccupied over the residual term of the lease (including rental expenses, taxes and related expenses), less any sublease income.

### **3.16. Employee benefits and similar**

---

Group companies contribute, in accordance with the laws and customs of each country, to various types of benefits available to their employees. Under defined contribution plans, the Group has no obligation to make additional payments over and above the contributions already paid into a fund if the said fund does not have sufficient assets to pay benefits corresponding to services rendered by employees during the current or prior periods. Contributions to such plans are expensed as incurred. This is notably the case for the French entities in respect of statutory pension schemes.

Under defined benefit plans, obligations are measured using the projected unit credit method on the basis of agreements or arrangements in force in each company. Under this method, each period of service gives rise to an additional unit of benefit entitlement, and each unit is measured separately to obtain the final obligation. This obligation is then discounted. The actuarial assumptions used to determine the obligations vary depending on the economic conditions prevailing in the country in which the plan is established. The biggest such plans and termination payments are subject to an actuarial valuation by independent actuaries every year; valuations are performed at regular intervals for other plans. These valuations take into account the level of future compensation, the probable length of employment, life expectancy and staff turnover.

Actuarial gains and losses result from changes in assumptions and the difference between estimated results based on actuarial assumptions and actual results. Actuarial gains and losses relating to defined benefit plans are recognised immediately in other comprehensive income.

Expenses relating to this type of plan are recognised in income from ordinary activities. Reductions, settlements and past service costs are recognised in income from ordinary activities. The provision recognised in the balance sheet represents the present value of the obligations calculated net of the fair value of plan assets.

### **3.17. Borrowings**

---

#### **3.17.1. Loans and other financial liabilities**

The measurement of financial liabilities depends on their classification under IAS 39 *Financial Instruments*. Within the Group's borrowings, trade payables and other payables are initially recognised at fair value less transaction costs, and subsequently at amortised cost using the effective interest rate method. The effective interest rate is determined for each transaction. It is the rate that provides the net carrying amount of a financial liability by discounting projected future cash flows paid until maturity or until the closest date to re-pricing at the market rate. This calculation includes related transaction costs and all premiums and/or discounts. Transaction costs are costs that are directly attributable to the acquisition or issuance of a financial liability.

Financial liabilities classified as hedged items in hedging relationships at fair value and measured at amortised cost are subject to an adjustment to their net carrying amount in respect of the hedged risk. Hedging relationships are described in Note 3.10 "Derivatives". Financial liabilities designated using the fair value option, other than derivative liabilities, are measured at fair value. Changes in fair value are recognised in profit or loss. Transaction costs related to the implementation of such financial liabilities are expensed as incurred.

#### **3.17.2. Compound instruments**

Some financial instruments comprise both a debt component and an equity component. This is notably the case for convertible bonds. The various components of these instruments are recognised in shareholders'

equity and in loans and financial liabilities, on the basis of their respective weighting, in accordance with IAS 32 *Financial Instruments: Presentation*. Debt components are measured at issuance. Their measurement corresponds to the value of the future cash flows (including interest and redemption), discounted at the market rate (taking into account the credit risk at issuance and the level of subordination) of a similar instrument with the same conditions (maturity, cash flows), but not convertible into or redeemable for shares. The portion recognised in equity is calculated as the difference between the amount of the issue and the debt component. The effective interest rate is the rate that discounts the expected disbursements over the term of the loan in order to obtain the carrying amount of the portion of the loan recorded in borrowings.

### **3.18. Taxes**

---

#### **3.18.1. Current taxes**

The Group calculates its income tax in accordance with the tax laws in force in the countries where its income is taxable. The Group recognises the corporate value added tax (*cotisation sur la valeur ajoutée des entreprises* – CVAE), based on the value added resulting from the company financial statements, on the “Income tax expense” line in the consolidated statement of comprehensive income.

#### **3.18.2. Deferred tax**

In accordance with IAS 12 *Income Taxes*, deferred taxes are recognised on temporary differences between the carrying amounts of assets and liabilities and their taxable amounts. Under the liability method, they are calculated based on the expected tax rate for the year in which the asset is liquidated or the liability settled. The effects of changes in tax rates from one year to another are recognised in profit or loss for the year in which the change occurs. Deferred tax relating to items recognised directly in equity is also recognised directly in equity. A deferred tax liability is recognised in respect of temporary differences relating to investments in subsidiaries unless the Group is able to control the date on which the temporary difference is reversed, or if the temporary difference will not be reversed in the foreseeable future. Deferred tax assets arising from temporary differences, tax-loss carry-forwards and tax credits are limited to the estimated amount of tax whose recovery is deemed probable. This probability is assessed at the end of the year, based on earnings forecasts for the various fiscal entities. Deferred tax assets and liabilities are not discounted.

### **3.19. Balance sheet presentation – Current/Non-current**

---

For the majority of the Group’s activities, it has been decided that the criterion for this classification is the date of liquidation of the asset or settlement of the liability: current if less than 12 months and non-current if more than 12 months.

### **3.20. Revenue recognition**

---

The Group’s revenue is derived mainly from the following products and services:

- Network sales revenues: entry fees of new franchisees; franchise and communication fees charged to franchisees. Revenue is recognised as and when control of the service is transferred over the duration of the franchise agreement; revenue in the form of fees is recognised on the date on which the underlying sale occurs.
- Network purchase revenues: sales to franchisees of eyeglass lenses, contact lenses and eyeglass frames through the Group’s central purchasing structure; sales of products bearing the ALAIN AFFLELOU trademark to exclusive distributors and franchisees, recorded at the effective date of completion of the sale; and referral, delcredere and distribution commissions to referenced suppliers and finder’s fees accounted for as and when sales are made.
- Revenues from directly-owned stores: retail sales of directly-owned stores operating under the “ALAIN AFFLELOU” and “OPTICAL DISCOUNT” banners, and sales resulting from the “ALAIN

AFFLELOU ACOUSTICIEN" hearing aid activity. Revenue is recognised on the date of transfer of control.

The Group's revenue is reported net of guarantees and discounts granted.

### **3.21. Cost of purchases**

---

The cost of the Group's purchases includes the supply cost of goods sold, namely:

- The purchasing cost of eyeglass frames
- The purchasing cost of eyeglass lenses
- The purchasing cost of contact lenses
- The purchasing cost of accessories and other goods
- Change in inventories of all of the above purchases
- The cost of communication purchases

### **3.22. Operating income from ordinary activities and other non-recurring operating items**

---

Operating income from ordinary activities includes all income and expenses resulting directly from the Group's activities, whether such income is recurring or stems from one-off decisions or transactions. To facilitate the reading of the income statement and the Group's performance, unusual and significant items for the consolidated group are recorded under "Other operating items". Other operating income and expenses, excluded from operating income from ordinary activities, notably include:

- restructuring costs and costs relating to employee retraining measures;
- impairment losses on fixed assets, which are recognised primarily following impairment testing of cash-generating units (CGU) and goodwill;
- capital gains or losses resulting from changes in the scope of consolidation (acquisitions or disposals);
- major disputes.

These items, excluded from operating income, are other non-current operating income and expenses, which, due to their nature, amount or frequency, cannot be considered as part of operating income from the Group's ordinary activities, and correspond to major events that are both limited in scope and very unusual.

### **3.23. Operating profit**

---

Operating profit includes all income and expenses resulting directly from the Group's activities, whether such income is recurring or stems from one-off decisions or transactions, as well as unusual and significant items for the consolidated group, which are recorded under "Other non-recurring operating items".

## **4. Change in the scope of consolidation**

---

### **4.1. Change in the scope of consolidation in fiscal 2018**

---

The Group acquired two Spanish companies (Selene Vision SL and Anta Socuellamos SL), each managing a point of sale. These acquisitions did not have a material impact on these consolidated financial statements, which are therefore comparable with those of previous years. On 31 January 2018, the Group also acquired three French companies, two of which are already operated by a franchisee under a lease management agreement (Academie Vision and Groupe Optique Méditerranée) and one operating as a branch (Cathare Optique).

### **4.2. Change in the scope of consolidation in fiscal 2017**

---

The main change in the Group's scope of consolidation was the creation of DIGITAL EYEWEAR at the end of September 2016 following the acquisition of two pure player brands, Happyview.fr and Malentille.com.

## **5. Segment reporting**

### **5.1. Organisation of the Group by geographical operating segments**

The Group breaks its segment reporting down by geography, namely “France”, “Spain” and “Other countries”.

The “France” and “Spain” segments both include a franchisor activity with a central purchasing unit, a central listing and payment unit, directly-owned stores and an audio business operated under a master franchise. The Group has replicated the established organisation of its French operations in Spain, and aims ultimately to repeat this process in the “Other countries” segment. The “Other countries” segment notably includes Belgium, Switzerland and Portugal. This segment includes a central purchasing unit in Belgium, and has only a few directly-owned stores, in Portugal.

The segment reporting presented here was prepared on the basis of the internal reporting data reviewed by the Chairman and CEO, the “chief operating decision maker” of the Group within the meaning laid down in IFRS 8, who analyses the performance of the various segments and allocates resources between them.

Assessment of the Group’s results is performed in reference to key financial indicators related to business performance. Alongside the main headings of the consolidated income statement, the key financial indicators used to measure segment performance are adjusted EBITDA and adjusted EBIT. These two indicators are Alternative Performance Indicators defined in the last section of this note, and are reconciled with operating income.

Within the Group’s segment reporting by geographical area, two companies are naturally classified in “Other countries”:

- Our trading company specialising in exclusive eyeglass frames, based in Switzerland (AAB)
- Our Luxembourg franchisor company (AAI), which holds supplier contracts for the entire group.

The trading and supplier contract activities impact the entire Group. The geographical location in which they are legally based does not necessarily imply an exclusive activity in the “Other countries” segment. To facilitate the readability of the results, the Group has decided to allocate the results of the trading and supplier contract activities across all three segments, using the following allocation key:

- the result of the AAB trading branch in Switzerland is reallocated on the basis of the originating country of franchisees’ purchases in proportion to the number of exclusive eyeglass frames delivered during the year.
- Commissions earned on the Group’s international supplier contract activity and recognised as revenue by the AAI international franchisor subsidiary are reallocated by country of origin in proportion to the purchasing volumes of the relevant suppliers.

The chief operating decision maker does not review information regarding the Group’s assets and liabilities.

No customer accounts for more than 10% of the Group’s revenue.

The information on the Group’s various activities and services is provided in Note 1.2, Note 3.20 on revenue recognition and Note 6.1.1 on revenue by activity.

(in thousands of euros)	31/07/2018 (12 months)	31/07/2017 (12 months)
France	287,360	278,717
Spain	79,283	80,021
Other countries	13,656	12,432
<b>Revenue</b>	<b>380,299</b>	<b>371,170</b>
France	67,325	66,302
Spain	10,331	10,806
Other countries	1,371	1,055
<b>Adjusted EBITDA</b>	<b>79,027</b>	<b>78,163</b>
France	(8,949)	(7,116)
Spain	(2,665)	(2,152)
Other countries	(764)	380
<b>Depreciation, amortisation and impairment</b>	<b>(12,378)</b>	<b>(8,888)</b>
France	58,701	59,164
Spain	7,605	8,479
Other countries	593	1,436
<b>Adjusted EBIT</b>	<b>66,899</b>	<b>69,079</b>
France	777,139	775,405
Spain	111,505	119,263
Other countries	17,630	17,069
<b>Property, plant and equipment, and intangible assets</b>	<b>906,274</b>	<b>912,277</b>

\* Restated for the Optimil business held for sale (see Note 5.3)

## 5.2. Reconciliation of adjusted EBIT and adjusted EBITDA with operating income from ordinary activities

Adjusted EBITDA is defined as operating income from ordinary activities as presented in the Group's consolidated financial statements, less depreciation and amortisation of property, plant and equipment, and intangible assets, changes in provisions for trade receivables and inventories, and shareholders' management fees. It is calculated as follows:

(in thousands of euros)	31/07/2018 (12 months)	31/07/2017 Restated* (12 months)
Operating income from ordinary activities	65,829	67,998
Amortisation of intangible assets	2,697	2,126
Depreciation of property, plant and equipment	6,329	6,019
Change in customer provisions and inventories	3,101	941
Shareholders' management fees	1,071	1,081
<b>Adjusted EBITDA</b>	<b>79,027</b>	<b>78,163</b>

Adjusted EBIT is defined as operating income from ordinary activities as presented in the Group's consolidated financial statements before the impact of shareholder' management fees. It is calculated as follows:

(in thousands of euros)	31/07/2018 (12 months)	31/07/2017 Restated* (12 months)
Operating income from ordinary activities	65,829	67,998
Shareholders' management fees	1,071	1,081
<b>Adjusted EBIT</b>	<b>66,899</b>	<b>69,079</b>

### 5.3. Discontinued operations

Management undertook a plan to dispose of the entire Optimil business during fiscal 2018 as part of a strategic decision to refocus the Group on its key areas of expertise.

The Optimil activity was not previously classified as an activity held for sale. The income statement has been restated to present this activity separately from continuing operations.

In addition, the OPTIVISAO securities are classified as assets held for sale with no impact on the income statement (see Note 6.2.7).

#### 5.3.1. Impact of discontinued operations in the income statement for the year ended 31 July 2017

(in thousands of euros)	31/07/2017 Reported (12 months)	Discontinued operations	31/07/2017 Restated* (12 months)
Revenue	372,822	1,652	371,170
Cost of purchases	(194,153)	(1,219)	(192,934)
Wages and salaries including social security contributions	(57,630)	(592)	(57,038)
Other purchases and external expenses	(42,476)	(336)	(42,140)
Duties and taxes other than income tax	(2,188)	(17)	(2,172)
Depreciation, amortisation and impairment	(8,920)	(32)	(8,888)
<b>Operating income from ordinary activities</b>	<b>67,454</b>	<b>(544)</b>	<b>67,998</b>
Other non-recurring operating items	(12,788)	(1,147)	(11,641)
<b>Operating profit</b>	<b>54,666</b>	<b>(1,691)</b>	<b>56,356</b>
Financial income	2,619	0	2,619
Borrowing costs	(74,623)	(6)	(74,618)
Other financial expense	(5,310)	(60)	(5,250)
<b>Net financial income/(expense)</b>	<b>(77,314)</b>	<b>(65)</b>	<b>(77,249)</b>
<b>Net income before tax of consolidated companies</b>	<b>(22,649)</b>	<b>(1,756)</b>	<b>(20,893)</b>
Tax income/(expense)	21,690	724	20,966
<b>Net income of continuing operations</b>	<b>(959)</b>	<b>(1,032)</b>	<b>73</b>
Net income of discontinued operations			<b>(1,032)</b>
<b>Net income</b>	<b>(959)</b>	<b>(1,032)</b>	<b>(959)</b>



### 5.3.2. Net income of discontinued operations

(in thousands of euros)	31/07/2018 (12 months)	31/07/2017 (12 months)
Revenue	714	1,652
Cost of purchases	(480)	(1,219)
Wages and salaries including social security contributions	(342)	(592)
Other purchases and external expenses	(260)	(336)
Duties and taxes other than income tax	(7)	(17)
Depreciation, amortisation and impairment	(669)	(32)
<b>Operating income from ordinary activities</b>	<b>(1,045)</b>	<b>(544)</b>
Other non-recurring operating items	(2,418)	(1,147)
<b>Operating profit</b>	<b>(3,463)</b>	<b>(1,691)</b>
Financial income		0
Borrowing costs		(6)
Other financial expense	(233)	(60)
<b>Net financial income/(expense)</b>	<b>(233)</b>	<b>(65)</b>
<b>Net income before tax of consolidated companies</b>	<b>(3,696)</b>	<b>(1,756)</b>
Tax income/(expense)	1,264	724
<b>Net income of discontinued operations</b>	<b>(2,432)</b>	<b>(1,032)</b>

### 5.3.3. Impact of discontinued operations on the indicator monitored by management

(in thousands of euros)	31/07/2018 (12 months)	31/07/2017 (12 months)
Operating income from ordinary activities	(1,045)	(544)
Amortisation of intangible assets	25	17
Depreciation of property, plant and equipment	13	15
Change in customer provisions and inventories	631	0
<b>Adjusted EBITDA</b>	<b>(376)</b>	<b>(512)</b>

## 6. Notes to the consolidated financial statements

### 6.1. Notes to the income statement

The amounts disclosed in the income statement for the year ended 31 July 2017 have been restated for the Optimil business, now held for sale (see Note 5.3).

#### 6.1.1. Revenue

(in thousands of euros)	31/07/2018 (12 months)	31/07/2017 Restated (12 months)
Network sales revenue	93,002	90,994
Network purchases revenue	174,111	162,730
Revenue from directly-owned stores	113,186	117,445
<b>Consolidated revenue</b>	<b>380,299</b>	<b>371,170</b>



Following the application of IFRS 15 in 2018, revenue is €119 thousand lower than it would have been under IAS 18. The breakdown of revenue by product is as follows:

(in thousands of euros)	31/07/2018 (12 months)	31/07/2017 Restated (12 months)
Optical revenue	372,847	364,312
Audio revenue	7,452	6,858
<b>Consolidated revenue</b>	<b>380,299</b>	<b>371,170</b>

#### 6.1.2. Wages and salaries including social security contributions

(in thousands of euros)	31/07/2018 (12 months)	31/07/2017 Restated (12 months)
Wages	(40,955)	(40,735)
Social security contributions	(16,684)	(16,610)
Research tax credit	258	453
Competitiveness and employment tax credit (CICE)	997	1,023
Employee profit sharing	(1,014)	(1,169)
<b>Wages and salaries including social security contributions</b>	<b>(57,398)</b>	<b>(57,038)</b>

- The research tax credit (*crédit d'impôt recherche* – CIR) was recorded as a reduction in expenses in the amount of €389 thousand in fiscal 2018 (€258 thousand as a reduction in personnel expenses and €131 thousand as a reduction in other purchases and external expenses). In fiscal 2017, the reduction in expenses was €683 thousand (€453 thousand as a reduction in personnel expenses and €230 thousand as a reduction in other purchases and external expenses).
- The competitiveness and employment tax credit (*crédit d'impôt pour la compétitivité et l'emploi* – CICE) was recorded as a reduction in personnel expenses in the amount of €997 thousand in fiscal 2018 (€1,023 thousand in fiscal 2017).

#### 6.1.3. Workforce at year-end

(Workforce)	31/07/2018 (12 months)	31/07/2017 Restated (12 months)
France	691	722
Spain	575	638
Other countries	45	48
<b>Workforce</b>	<b>1,311</b>	<b>1,408</b>

#### 6.1.4. Other purchases and external expenses

(in thousands of euros)	31/07/2018 (12 months)	31/07/2017 Restated (12 months)
Rental fees and related costs	(19,418)	(19,669)
Outsourcing, fees and miscellaneous services	(11,635)	(11,890)
Maintenance and repair expenses	(3,032)	(2,808)
Other purchases	(6,928)	(7,773)

<b>Other purchases and external expenses</b>	<b>(41,013)</b>	<b>(42,140)</b>
--	-----------------	-----------------

#### 6.1.5. Depreciation, amortisation and impairment

(in thousands of euros)	31/07/2018 (12 months)	31/07/2017 Restated (12 months)
Amortisation of intangible assets	(2,697)	(2,126)
Depreciation of property, plant and equipment	(6,329)	(6,019)
Additions/Reversals—Provisions for trade receivables and inventories	(3,101)	(940)
Additions/Reversals – Provisions for retirement benefits	(215)	(36)
Additions/Reversals – Current provisions for risks and charges	(36)	233
<b>Depreciation, amortisation and impairment</b>	<b>(12,378)</b>	<b>(8,888)</b>

#### 6.1.6. Other non-recurring operating items

(in thousands of euros)	31/07/2018 (12 months)	31/07/2017 Restated (12 months)
Capital gains/(losses) on disposal	(3,452)	(4,718)
Additions/Reversal of impairments	(5,082)	604
Additions/Reversals of non-current provisions for risks and charges	(1,321)	1,281
Other	(3,654)	(8,808)
<b>Other non-recurring operating items</b>	<b>(13,508)</b>	<b>(11,641)</b>

Capital gains/(losses) on disposal include the transfer of LOA and AAO leasehold rights recognised over the period and the impact of store closures.

Additions and reversals of provisions for asset impairment primarily include the impairment of leasehold rights recognised over the period (see Note 6.2.5) as well as goodwill impairment (see Note 6.2.2).

- As of 31 July 2018, this item also includes a €1,400 thousand impairment of the HAPPYVIEW trademark.
- As of 31 July 2017, this item includes a €1,079 thousand provision reversal following the write-off of receivables from former franchisees (see the breakdown of the Other line below).

Additions and reversals of non-current provisions for risks and charges primarily include:

- for the year ended 31 July 2018, a €1,486 thousand Optical Finance provision for VAT litigation with the tax authorities (see Note 6.6.3); the net reversal of non-recurring provisions for vacant premises in the amount of €243 thousand
- for the year ended 31 July 2017, primarily the net reversal of provisions for vacant premises in the amount of €296 thousand and the net reversal of provisions no longer required following the favourable outcome of a dispute with a former franchisee in the amount of €948 thousand, given its age and its materiality.

The Other line primarily includes:

- for the year ended 31 July 2018: costs related to the aborted issue of high-yield debt in the amount of €2,531 thousand;
- for the year ended 31 July 2017: expenses related to the aborted IPO in the amount of €5,548 thousand; the write-off of receivables from former franchisees following their liquidation, taking into account their prior and material nature taken individually, in the amount of €829 thousand; a net expense of €468 thousand for earn-out payments to the managers of Optical Finance, breaking

down as an expense of €1,000 thousand for the first such payment and a downward adjustment of €532 thousand of the second following the review of Optical Finance's performance outlook in the year ended 31 July 2018; and rent of €379 thousand for vacant premises.

#### 6.1.7. *Net financial income/(expense)*

(in thousands of euros)	31/07/2018 (12 months)	31/07/2017 Restated (12 months)
Income from other investments	373	339
Other financial income	668	677
Reversals of financial provisions	2,295	1,603
<b>Financial income</b>	<b>3,336</b>	<b>2,619</b>
Interest on convertible bonds	(49,338)	(44,889)
Interest on other bonds (high yield)	(24,239)	(28,815)
Other financial expense	(774)	(915)
<b>Gross borrowing costs</b>	<b>(74,351)</b>	<b>(74,618)</b>
Financial provisions	(1,539)	(2,992)
Miscellaneous financial expense	(1,332)	(2,258)
<b>Financial expense</b>	<b>(77,222)</b>	<b>(79,868)</b>
<b>Net financial income/(expense)</b>	<b>(73,886)</b>	<b>(77,249)</b>

Financial income of €3,336 thousand in the year ended 31 July 2018 was derived chiefly from interest on vendor loans, application fees and interest on advances to franchisees, as well as foreign exchange gains. In the year ended 31 July 2017, financial income amounted to €2,619 thousand and was of the same nature. The miscellaneous financial expense of €1,332 thousand reported in the year ended 31 July 2018 related chiefly to foreign exchange losses. In the year ended 31 July 2017, the miscellaneous financial expense amounted to €2,258 thousand and was of the same nature.

(in thousands of euros)	31/07/2018 (12 months)	31/07/2017 Restated (12 months)
<b>Gross borrowing costs</b>	<b>(74,351)</b>	<b>(74,618)</b>
Capitalised interest expense	49,338	44,889
Accrued interest	1,180	2,338
<b>Net interest paid</b>	<b>(23,833)</b>	<b>(27,392)</b>

#### 6.1.8. *Income tax*

##### 6.1.8.1. *Tax group*

A tax group agreement was applied during the fiscal year between AFFLELOU and the following companies: 3ABOD, ALAIN AFFLELOU FRANCHISEUR, 3ABOE, OPTICAL FINANCE, LOA (formerly FP2A), LSFA and DIGITAL EYEWEAR. It does not provide for the reallocation to loss-making subsidiaries of tax savings generated by the parent company and its French subsidiaries. The parent keeps such tax savings. In Spain, the tax group comprises ALAIN AFFLELOU ESPANA, AAO OPTICO, AA LATAM, OPTICAL FINANCE ESPANA and ALAIN AFFLELOU AUDIOLOGO.

### 6.1.8.2. Income tax

Tax proof	31/07/2018 (12 months)	31/07/2017 Restated (12 months)
Consolidated profit before tax	(21,565)	(20,893)
Theoretical tax rate	34.43%	34.43%
<b>Theoretical Group tax</b>	<b>7,425</b>	<b>7,193</b>
Effect of differences in tax rate	519	2,728
Tax losses created but not recognised during the period	(692)	(925)
Effect of DT liability method	15,851	27,983
Non-deductible interest	(5,857)	(3,475)
Other permanent differences	(290)	(11,688)
French corporate value added tax (CVAE)	(1,114)	(1,086)
Tax credits	134	235
<b>Income tax income (expense) recognised (1)</b>	<b>15,977</b>	<b>20,966</b>
of which current tax	(3,712)	(4,370)
of which deferred tax	19,688	25,336
Average effective tax rate	74.08%	100.35%

(1) The tax expense recognised has been adjusted in 2018 and 2017 for the tax expense of discontinued operations in the amounts of €1,264 thousand and €724 thousand respectively.

### 6.1.8.3. Current tax

(in thousands of euros)	01/08/2017 (12 months)	Impact in net income	Working capital flows	Change in scope and forex rates	31/07/2018 (12 months)
Current tax receivables	5,835	0	31	177	6,043
Current tax liabilities	6,399	18	184	(684)	5,917
<b>Current tax</b>	<b>563</b>	<b>18</b>	<b>153</b>	<b>(860)</b>	<b>(126)</b>

### 6.1.8.4. Deferred tax

(in thousands of euros)	31/07/2017	Impact in net income	Other comprehen- sive income	Change in scope	Other move- ments	31/07/2018
Tax loss carryforwards	62,357	(3,070)				59,287
Purchase cost of securities	2,601	(241)		(93)		2,266
Retirement provisions	530	(206)	11	(13)		322
Employee profit sharing	412	(98)				314
Financial instruments	(26,418)	2,278			10,032	(14,108)
Measurement to fair value of trademarks and other intangible assets (1)	(197,999)	20,263	(10)	(266)		(178,011)
Regulated provisions	(5,152)	519		93		(4,540)
Impairment of intangible assets	8,471	(54)				8,417
Other temporary differences	1,748	1,560	(65)	(164)	(852)	2,228
<b>Net deferred tax</b>	<b>(153,450)</b>	<b>20,953</b>	<b>(63)</b>	<b>(443)</b>	<b>9,180</b>	<b>(123,824)</b>
Balance sheet presentation:						
Deferred tax assets	2,626	(8,290)	(73)	(657)	9,174	2,780
Deferred tax liabilities	(156,076)	29,243	10	214	6	(126,603)

(1) The fair value of trademarks and other intangible assets results from the allocation to trademarks and other intangible assets of business combinations performed by the Group.

Deferred tax assets representing tax losses are not recognised in the following situations:

- When they relate to companies outside the tax group that have been loss-making for several years and for which a return to profit is not deemed likely in the near future.
- When they relate to tax losses that are unlikely to be used in view of the earnings outlooks of the companies in question and the information available as of the date of the financial statements.

As of the balance sheet date, the stock of unrecognised tax losses was as follows:

(in thousands of euros)	31/07/2018		31/07/2017	
	Tax losses	Amount of tax	Tax losses	Amount of tax
<u>French companies:</u>				
Tax losses of companies belonging to a tax group	21,127	5,457	21,128	6,110
Tax losses generated prior to entry into the tax group	5,891	2,028	4,581	1,325
Tax losses excluding the tax group	5,229	1,307	5,301	1,484
<u>Foreign companies:</u>				
Tax losses of the Portuguese company	2,613	549	2,348	493
Tax losses of other companies	869	168	554	92
<b>Total</b>	<b>35,730</b>	<b>9,509</b>	<b>33,912</b>	<b>9,504</b>

The losses of the French tax group including AFFLELOU, AAFR, 3ABOD, 3ABOE, OPTICAL FINANCE, LOA, LSFA and DIGITAL EYEWEAR can be carried forward for an unlimited period. Losses before the entry into the tax group of L'Opticien Afflelou (LOA) and DIGITAL EYEWEAR can be carried forward for an unlimited period on an individual basis. Losses before the entry into the tax group of F2L, ACADEMIE VISION, GROUPE OPTICAL MEDITERANEE and CATHARE OPTIQUE can be carried forward for an unlimited time on an individual basis.

For French companies, the amount of tax losses offset in a given fiscal year may not exceed €1 million, plus 50% of the amount of profit against which deficits are offset above this threshold. Losses can only be carried back to the year prior to that in respect of which the tax loss is recognised, within a limit of €1 million.

In Portugal, losses generated by AAP between 2010 and 2013 must be used within five years. Losses generated since 2014 must be used within 12 years. In addition, effective 1 January 2012, the amount of the loss attributable in respect of a given fiscal year is capped at 75% of taxable income for that year. The tax losses of Spanish companies can be carried forward for a period of no more than 18 years. The absorption of Ankasur Opticos, Usera Opticos and Optica UFE by AAO resulted in the loss of unused tax losses.

### 6.1.9. Earnings per share

Basic earnings per share are calculated based on the weighted average number of outstanding shares less the weighted average number of shares held by consolidated companies. Diluted earnings per share are based on the weighted average number of shares defined above, plus the weighted average number of potentially dilutive common shares. Potentially dilutive shares are: shares granted in connection with convertible bonds issued at the time of the Group's refinancing on 17 July 2012, which include bonds convertible into shares (OCA), i.e. potentially 116,368,571 shares, and bonds convertible into preference shares (OC ADPD), i.e. potentially 711,895 shares; and, shares granted in connection with class A mezzanine equity warrants, i.e. potentially 6,596,000 shares, and class B mezzanine equity warrants, i.e. potentially 9,520,000 shares.

The instruments issued by the Group did not have any dilutive effect in fiscal 2017 or 2018. The maximum number of potential dilutive shares in future years is 133,196,466.

## 6.2. Notes to the balance sheet

### 6.2.1. Trademarks

As of 31 July 2018, the trademarks were valued at a total of €657,600 thousand, compared with €660,982 thousand as of 31 July 2017.

	31/07/2018			31/07/2017		
(in thousands of euros)	Gross	Impairment	Net	Gross	Impairment	Net
Alain Afflelou	650,000		650,000	650,000		650,000
Optical Discount	5,600		5,600	5,600		5,600
HappyView	1,400	(1,400)		1,400		1,400
Malentille.com	2,000		2,000	2,000		2,000
Optimil	4,255	(4,255)		4,255	(2,273)	1,982
<b>Total</b>	<b>663,255</b>	<b>(5,655)</b>	<b>657,600</b>	<b>663,255</b>	<b>(2,273)</b>	<b>660,982</b>

The Group was the subject of two successive acquisitions following its delisting in 2007, with a final acquisition on 17 July 2012 by Lion Seneca Lux 2 (LSL2) via its LSF1 holding company subsidiary (now known as AFFLELOU). This resulted in the valuation of the Alain Afflelou trademark at €650 million as part of the accounting for the takeover pursuant to IFRS 3.

The Happyview trademark has been impaired due to the operating losses it generates and the limited prospects of the online sales website. The Group has embarked on a review of its e-commerce strategy, aiming to capitalise on the main branded website, using the skills and experiences acquired from malentille.com and happyview.fr. Under this strategy, the Happyview brand could be abandoned in favour of Alain Afflelou and the branded website, thereby justifying the full impairment of the Happyview.fr trademark. The Group has also begun discussions with a view to withdrawing from the commercial and office lease of the premises located in rue Magenta in Paris. As of 31 July 2018, the remaining residual rent for these premises was €0.5 million.

The development of Optimil to spearhead the Group's strategy in the entry-level segment in Spain did not have the anticipated results. The objective of rapid integration of the network within the Group resulted in a sharp reduction in the number of stores, and the implementation of the services offered by the Group to the franchisees at the same time proved difficult in a country where opticians have remained culturally very independent. In 2018, the Group made the decision to resell this business, which became loss-making following its acquisition. Advanced negotiations with a potential buyer put the disposal price at €1, thereby justifying the full impairment of the trademark within the Group's assets.

### 6.2.2. Goodwill

(in thousands of euros)	01/08/2017	Additions	Other movements	31/07/2018
Gross amount	172,426	1,098		173,523
Accumulated impairment	(948)	(1,098)		(2,045)
<b>Net amount</b>	<b>171,478</b>			<b>171,478</b>

The increase of €1,098 thousand in the gross value reflects the goodwill recorded following the purchase of business assets for €715 thousand in Spain and €383 thousand in France. This goodwill was fully impaired in the year.

### 6.2.3. Intangible assets

#### 6.2.3.1. Net intangible assets

(in thousands of euros)	31/07/2018			31/07/2017		
	Gross	Impairment Amortisation	Net	Gross	Impairment Amortisation	Net
Leasehold rights–Franchisor	5,849	(150)	5,699	4,866	(105)	4,761
Leasehold rights–LOA group	59,956	(27,064)	32,891	58,351	(27,721)	30,630
Leasehold rights–AAO group	28,766	(13,984)	14,782	30,859	(12,415)	18,444
Concessions, patents	13,201	(9,574)	3,627	11,774	(7,593)	4,181
Other intangible assets	989	(135)	853	216	(135)	81
<b>Total</b>	<b>108,761</b>	<b>(50,908)</b>	<b>57,853</b>	<b>106,066</b>	<b>(47,970)</b>	<b>58,096</b>

#### 6.2.3.2. Gross amounts

Changes in intangible assets during the period are as follows:

(in thousands of euros)	01/08/2017	Additions	Disposals, transfers	Other movements	Change in scope	31/07/2018
Leasehold rights–Franchisor	4,866		(135)		1 118	5,849
Leasehold right –LOA group	58,351	1,800	(2,097)	1,902	0	59,956
Leasehold rights–AAO group	30,859		(2,465)		371	28,766
Concessions, patents	11,774	2,340	(1,426)	158	355	13,201
Other intangible assets	216	914		(141)		989
<b>Total</b>	<b>106,066</b>	<b>5,054</b>	<b>(6,122)</b>	<b>1,918</b>	<b>1,845</b>	<b>108,761</b>

Acquisitions of intangible assets in fiscal 2018 totalled €5,054 thousand, breaking down as €1,800 thousand in leasehold rights and €2,340 thousand in concessions and patents invested in France and Spain. The “Leasehold rights – Franchisor” line includes the leasehold to the store on the Champs Elysées, 75008 Paris, held by AAFR, as well as leasehold rights held directly by AAE and AAP. Other movements on the LOA scope in the amount of €1,902 thousand reflect the reclassification in assets of two stores purchased as property dealer and recorded in inventories.

#### 6.2.3.3. Impairment and loss of value

(in thousands of euros)	01/08/2017	Additions	Disposals, transfers	Other movements	Change in scope	31/07/2018
Leasehold rights–Franchisor	(105)	(64)	90	(70)		(150)
Leasehold rights–LOA group	(27,721)	(781)	1,437			(27,064)
Leasehold rights–AAO group	(12,415)	(2,888)	1,391		(72)	(13,984)
Concessions, patents	(7,593)	(2,864)	1,003	(14)	(106)	(9,574)
Other intangible assets	(135)					(135)
<b>Total</b>	<b>(47,970)</b>	<b>(6,597)</b>	<b>3,921</b>	<b>(84)</b>	<b>(178)</b>	<b>(50,908)</b>

#### 6.2.4. Property, plant and equipment

(in thousands of euros)	31/07/2018			31/07/2017		
	Gross	Impairment Depreciation	Net	Gross	Impairment Depreciation	Net
Buildings	97	(97)		97	(97)	
Industrial machinery and equipment	27,270	(19,688)	7,582	28,425	(17,751)	10,674
Technical equipment under finance leases	844	(800)	44	776	(517)	259
Other property, plant and equipment	29,510	(18,010)	11,501	29,953	(16,259)	10,693
Assets under construction	218		218	95		95
<b>Total</b>	<b>57,939</b>	<b>(38,595)</b>	<b>19,344</b>	<b>56,345</b>	<b>(34,625)</b>	<b>21,720</b>

#### 6.2.4.1. Gross amounts

(in thousands of euros)	01/08/2017	Acquisitions	Disposals , transfers	Other movements	Change in scope	31/07/2018
Buildings	97					97
Industrial machinery and equipment	28,425	1,287	(2,977)	80	455	27,270
Technical equipment under finance leases	776	68				844
Other property, plant and equipment	26,953	5,448	(3,658)	265	502	29,510
Assets under construction	95	201		(78)		218
<b>Gross total</b>	<b>56,345</b>	<b>7,004</b>	<b>(6,634)</b>	<b>267</b>	<b>957</b>	<b>57,939</b>

Acquisitions of property, plant and equipment in fiscal 2018 totalled €7,004 thousand, breaking down as €5,346 thousand in France, €1,195 thousand in Spain and €463 thousand in Other countries. Additions relate to fittings in the directly-owned store network and acquisitions of stores during the period. Disposals and transfers mainly concern the assets of stores sold by the directly-owned store network over the period.

#### 6.2.4.2. Depreciation and impairment

(in thousands of euros)	01/08/2017	Depreciation and provisions	Reversals, disposals	Other movements	Change in scope	31/07/2018
Buildings	(97)					(97)
Industrial machinery and equipment	(17,751)	(3,234)	1,422	93	(218)	(19,688)
Technical equipment under finance leases	(517)	(283)				(800)
Other property, plant and equipment	(16,259)	(3,800)	2,374	9	(332)	(18,010)
Assets under construction						
<b>Total</b>	<b>(34,625)</b>	<b>(7,318)</b>	<b>3,795</b>	<b>102</b>	<b>(551)</b>	<b>(38,595)</b>

#### 6.2.5. Impairment testing of non-current intangible assets

##### 6.2.5.1. Nature of impairment testing

The Group first tests lease and similar rights on directly-owned stores, then trademarks and ultimately goodwill. Directly-owned stores are a first-level asset CGU; operating segments are a goodwill CGU.



Impairment testing of leasehold rights is performed on a store-by-store basis, based on the estimated market value. When in the course of negotiations the Group has indicative offers, it uses them to measure the recoverable amount. In other cases, the recoverable amount is the probable selling price, calculated on the basis of a percentage of the annual revenue before VAT of each store, in line with potential market conditions.

In 2016, the original goodwill was allocated, following the change in the Group's internal reporting structure, to the "France", "Spain" and "Other countries" operating segments in proportion to their contribution to adjusted EBITDA. Insofar as the Alain Afflelou trademark does not on its own account generate cash flows substantially independent from those generated by other corporate assets, it was allocated to the three country CGUs as described above for goodwill. The OPTICAL DISCOUNT, Happyview et Malentille.com trademarks and goodwill have been allocated to the "France" operating segment. The OPTIMIL trademark and goodwill have been allocated to the "Spain" operating segment.

#### 6.2.5.2. Impairment testing methodology – Estimates for the calculation of value in use

Future cash flow projections are made on the basis of budgets and medium-term business plans approved by the Board of Directors. These plans are built on a five-year timeframe. In addition to the five-year business plan established by the Group, the key assumptions used as of 31 July 2018 and 31 July 2017 are a perpetual growth rate of 1.5% and a discount rate of 7.5% (except for the Spain CGU, for which a discount rate of 8% was used).

#### 6.2.5.3. Results of impairment testing

##### 6.2.5.3.1. Impairment testing of leasehold rights in 2017 and 2018

The leasehold rights held by LOA and AAO were tested as of 31 July 2017 and 2018. Impairment losses were recognised on these assets in the amounts of €4,296 thousand as of 31 July 2018 and €3,598 thousand as of 31 July 2017, with reversals in the amounts of €2,053 thousand as of 31 July 2018 and €3,497 thousand as of 31 July 2017.

##### 6.2.5.3.2. Impairment testing of goodwill and trademarks in 2018

Impairment testing of goodwill and trademarks in 2018 revealed values in use in excess of the net asset value of the France, Spain and Other countries CGUs. An impairment loss of €3,382 thousand was recorded as of 31 July 2018 on the Optimil and Happyview trademarks. A 5.0% variation in adjusted EBITDA in 2018, projected over subsequent years, including the terminal year, would have an impact of approximately €48 million on the recoverable amount of the France CGU, €7 million of the Spain CGU and €2 million of the Other countries CGU, with no impact on the valuation of goodwill or trademarks as of 31 July 2018. The table below shows the potential impact on the expense in fiscal 2018 of an upward or downward variation in the perpetual growth rate and the discount rate used for the testing performed as of 31 July 2018.

For the France CGU:

(in thousands of euros)		Perpetual growth rate				
		0.5%	1.0%	1.5%	2.0%	2.5%
WACC	6.5%	-	-	-	-	-
	7.0%	-	-	-	-	-
	7.5%	-	-	-	-	-
	8.0%	-	-	-	-	-
	8.5%	-	-	-	-	-

For the Spain CGU:

(in thousands of euros)		Perpetual growth rate				
		0.5%	1.0%	1.5%	2.0%	2.5%
WACC	7.0%	-	-	-	-	-
	7.5%	-	-	-	-	-
	8.0%	-	-	-	-	-
	8.5%	-	-	-	-	-
	9.0%	(4,184)	(116)	-	-	-

For the Other countries CGU:

(in thousands of euros)		Perpetual growth rate				
		0.5%	1.0%	1.5%	2.0%	2.5%
WACC	6.5%	-	-	-	-	-
	7.0%	-	-	-	-	-
	7.5%	-	-	-	-	-
	8.0%	-	-	-	-	-
	8.5%	-	-	-	-	-

#### 6.2.6. Other financial assets

(in thousands of euros)	01/08/2017	Acquisitions	Disposals, transfers	Other movements	Change in scope	31/07/2018
Available-for-sale financial assets	1,718			(1,718)		0
Loans	12,215	1,838	(1,364)	(2,685)	(796)	9,209
Other financial assets	7,234	1,845	(1,751)	(13)	(284)	7,032
<b>Gross total</b>	<b>21,168</b>	<b>3,683</b>	<b>(3,114)</b>	<b>(4,416)</b>	<b>(1,080)</b>	<b>16,242</b>
Impairment	(3,247)	(1,500)	2,261	0	(6)	(2,492)
<b>Net total</b>	<b>17,921</b>	<b>2,183</b>	<b>(853)</b>	<b>(4,416)</b>	<b>(1,086)</b>	<b>13,749</b>

Available-for-sale financial assets in the amount of €1,718 thousand represent OPTIVISAO equity securities. The fair value used by the Group to measure OPTIVISAO equity securities is based on the price of the most recent known transactions. The change in fair value during the year was €354 thousand. As of 31 July 2018, these equity investments were reclassified as assets held for sale. The investment in OPTIVISAO is not equity accounted, as the Group does not have significant influence over the company, within the meaning of IAS 28.6. The Group is not represented on the company's governing bodies and has no other way to influence the strategy and management of the entity's activities.

Other movements on Loans reflect the repayment of the Master Loan Agreement between the Group and its shareholder in the amount of €2,588 thousand. Changes in acquisitions and disposals include vendor loans made on the disposal of stores by AAO and LOA, as well as staggering agreements in respect of receivables granted to certain franchisees by Alain Afflelou Spain.

Other financial assets are primarily security deposits.

#### 6.2.7. Assets held for sale

Assets held for sale in the amount of €2,000 thousand as of 31 July 2018 represent OPTIVISAO equity securities, which were classified as financial assets as of 31 July 2017. Management has embarked on a plan to sell the OPTIVISAO equity securities. An agreement is in the process of being finalised with the majority shareholder.

### 6.2.8. Inventories

(in thousands of euros)	31/07/2018	31/07/2017
Directly-owned stores	15,434	17,708
Trading activity	14,752	8,763
Other	1,416	1,931
<b>Total merchandise inventories</b>	<b>31,602</b>	<b>28,401</b>
Provisions	(3,416)	(2,210)
<b>Net total</b>	<b>28,186</b>	<b>26,192</b>

The increase in trading activity stems from the application of IFRS 15 in the amount of €5,894 thousand. The "Directly-owned stores" line includes property dealer stock in the amount of €761 thousand as of 31 July 2018 and €2,148 thousand as of 31 July 2017.

### 6.2.9. Trade receivables

(in thousands of euros)	31/07/2018	31/07/2017
Franchise and communication fees	51,057	53,315
Listing fees, and delcredere and distribution commissions	8,455	10,039
Sales of exclusive products	9,665	17,700
Directly-owned store activity	8,834	8,676
Other receivables	2,140	1,896
<b>Gross total</b>	<b>80,151</b>	<b>91,626</b>
Provisions	(10,363)	(8,503)
<b>Net total</b>	<b>69,788</b>	<b>83,123</b>

The reduction in trade receivables related to exclusive products stems from the application of IFRS 15 in the amount of €12,460 thousand.

The following table shows the maturity of trade receivables:

(in thousands of euros)	31/07/2018	31/07/2017
<b>Gross total</b>	<b>80,151</b>	<b>91,626</b>
Not due	48,973	51,763
Less than 30 days	3,829	5,751
30 days to 60 days	2,988	3,430
60 days to 90 days	1,718	2,662
More than 90 days	22,643	28,020

### 6.2.10. Trade payables

The following table shows the maturity of trade and other receivables:

(in thousands of euros)	31/07/2018	31/07/2017
<b>Gross total</b>	<b>39,539</b>	<b>43,295</b>
Not due	38,167	38,158
Less than 30 days	410	1,561
30 days to 60 days	36	517
60 days to 90 days	7	409

More than 90 days	920	2,650
-------------------	-----	-------

### 6.2.11. Other current assets and liabilities

#### 6.2.11.1. Other current assets

(in thousands of euros)	31/07/2018	31/07/2017
Personnel	243	372
State: income tax receivables	6,043	5,835
State: other tax receivables	10,871	14,592
Sundry debtors	71,655	71,082
Amounts receivable on disposal of assets	818	604
Prepaid expenses	4,635	3,782
<b>Total</b>	<b>94,265</b>	<b>96,267</b>

The main items classified under sundry debtors are as follows:

(in thousands of euros)	31/07/2018	31/07/2017
Amounts due from franchisees to the central payment structure	59,325	57,730
Credit notes receivable from the central purchasing structure	5,664	5,914
Cash advances	820	79
Other receivables	5,846	7,359
<b>Total</b>	<b>71,655</b>	<b>71,082</b>

#### 6.2.11.2. Other current liabilities

(in thousands of euros)	31/07/2018	31/07/2017
Social security liabilities	9,098	8,806
Tax liabilities	11,187	11,360
Sundry creditors	73,484	73,330
Deferred income	13,054	12,642
<b>Total other current liabilities</b>	<b>106,822</b>	<b>106,138</b>

The table below shows the maturity of accounts payable:

(in thousands of euros)	31/07/2018	31/07/2017
Central payment activity	56,020	55,191
Central lens purchasing structure	13,931	14,327
Other liabilities	3,533	3,812
<b>Total</b>	<b>73,484</b>	<b>73,330</b>

### 6.2.12. Cash and cash equivalents

The Group's cash and cash equivalents consist primarily of bank current accounts.

### 6.2.13. Share capital

As of 31 July 2018, the share capital amounted to €233,531,553.20, consisting of 437,325,006 fully paid-up shares with a par value of 0.534 euro each, of which 418,937,316 common shares and non-voting

shares with preferential rights, breaking down as 16,592,177 class D preference shares and 1,795,513 million class E preference shares. The Group's common shares carry one vote; they give rights to dividends and the liquidation surplus, after the rights attached to preference shares have been satisfied. Preference shares do not carry voting rights.

Class D preference shares have priority rights to all distributions of dividends, reserves or premiums until full payment of the cumulative annual D priority dividend equal to 14% of the issue price (including bonus, where applicable) and capitalised (for the portion of the dividend not paid in respect of prior years) annually (at each reporting date) on the basis of a 360-day year and for the first time at the date of the first closing following the date of issue of the class D preference shares.

Each class E preference share carries 4.127 voting rights and a financial right and a right in the event of a corresponding liquidation or exit, and, within the limits of (i) Articles 9.6, 9.7 and 9.8 of the Articles of Incorporation and (ii) the rules referred to in Schedule 2 of the Articles of Incorporation, financial rights and rights in the event of liquidation or exit attached to 4.127 common shares.

Securities giving access to the capital:

16,166,000 AFFLELOU mezzanine warrants, 6,596,000 tranche A BSA Mezzanine AFFLELOU warrants carry the right to subscribe for a maximum of 6,596,000 common shares of AFFLELOU SAS, subject to any adjustments, and 9,520,000 tranche B AFFLELOU mezzanine warrants give the right to subscribe for a maximum number of 9,520,000 common shares, subject to any adjustments.

No dividends were paid in respect of fiscal 2017 in 2018.

#### **6.2.14. Employee benefits and similar**

These benefits primarily cover retirement allowances in France.

##### Retirement allowances in France

In France, the retirement allowance is a lump sum paid to employees when they retire. The amount depends on the length of the individual's service as of the date of retirement. It is determined on the basis of collective and/or company agreements. The plan does not entitle employees to any allowance until they reach retirement age (unvested). Retirement allowances are not linked to other standard pension benefits such as pensions paid by Social Security or supplementary pension funds (ARRCO and AGIRC). The assumptions used by the collecting body are as follows:

- mortality table: TF00-02,
- rules governing retirement benefits: from the national collective agreement for eyewear retail,
- retirement age: 65 years for the Manager category, 62 years for the Supervisor category,
- 62 years for the Worker/Employee category,
- type of retirement: voluntary departure,

Assumptions	31/07/2018	31/07/2017
Rate of employers' contributions (franchisor)	52.0%	52.0%
Rate of employers' contributions (directly-owned stores)	47.0%	48.0%
Rate of wage increases (franchisor)	1.5%	1.5%
Rate of wage increases (directly-owned stores)	1.0%	1.0%
Rate of staff turnover (franchisor)	7.0%	5.2%
Rate of staff turnover (directly-owned stores)	12.4%	13.5%
Discount rate	1.4%	1.4%

Actuarial gains and losses were recognised in "Other comprehensive income" in accordance with IAS 19R in the negative amount of €4 thousand net of deferred taxes in fiscal 2018 and the positive amount of €56 thousand net of deferred taxes in fiscal 2017. Defined benefit plans covered the full expense of €214 thousand in fiscal 2018 (€43 thousand in fiscal 2017).

##### Mandatory supplementary pensions (LPP) in Switzerland

The pension plan is affiliated with a collective foundation. The foundation bears the investment and longevity risk, and transfers some of the risk to an insurance company. The Group has no liabilities in respect of medical expenses.

#### 6.2.15. Current and non-current provisions

(in thousands of euros)	31/07/2017	Additions	Utilisation	Reversals of surplus provisions	Other movements	31/07/2018
Provisions for litigation	632	1,791	(104)	(233)		2,086
Other provisions	2,118	333	(45)	(218)	45	2,233
<b>Total non-current provisions</b>	<b>2,750</b>	<b>2,123</b>	<b>(149)</b>	<b>(451)</b>	<b>45</b>	<b>4,319</b>
Provisions for other expenses	339	239	(332)	(7)		239
Provisions for risks	150		(97)			53
<b>Total current provisions</b>	<b>489</b>	<b>239</b>	<b>(429)</b>	<b>(7)</b>		<b>292</b>
<b>Total provisions</b>	<b>3,239</b>	<b>2,362</b>	<b>(578)</b>	<b>(458)</b>	<b>45</b>	<b>4,610</b>

#### Non-current provisions:

Provisions for litigation comprise cases before industrial tribunals and VAT litigation (see Note 6.6.3). Other provisions comprise various provisions for tax risks or other operating risks with certain franchisees or suppliers.

#### Current provisions:

As of 31 July 2018, current provisions mainly include provisions in respect of suppliers. As of 31 July 2017, provisions for other expenses cover the portion due within one year of the provision for vacant premises in the amount of €274 thousand.

#### 6.2.16. Financial liabilities

##### 6.2.16.1. Analysis of borrowings and other financial liabilities

(in thousands of euros)	31/07/2018		31/07/2017	
	Current portion	Non-current portion	Current portion	Non-current portion
Bonds convertible into shares	0	204,879	0	302,590
Bonds convertible into class D preference shares		1,253		2,733
<b>I) Total convertible bonds</b>	<b>0</b>	<b>206,132</b>	<b>0</b>	<b>305,323</b>
Senior secured fixed rate	2,796	247,763		
Senior secured floating rate	246	173,434		
Senior secured notes			4,424	363,490
Senior notes			909	74,689
<b>II) Medium-term external borrowings</b>	<b>3,042</b>	<b>421,196</b>	<b>5,333</b>	<b>438,179</b>
Finance leases	23	21	259	
Medium-term loans	350	0	0	1
Bank overdrafts and assignment of trade receivables	119		82	
Security deposits	0	1,318	0	1,532
<b>III) Total other financial borrowings</b>	<b>492</b>	<b>1,339</b>	<b>340</b>	<b>1,533</b>
<b>Total (I+II+III)</b>	<b>3,534</b>	<b>628,668</b>	<b>5,674</b>	<b>745,035</b>

The current portion of the senior secured notes and senior notes corresponds to the interest accrued as of 31 July 2018 and 31 July 2017. Assignments of trade receivables correspond to drawings on discounted receivables, mainly in respect of franchisees.

#### 6.2.16.2. *Change in borrowings*

(in thousands of euros)	31/07/2018	31/07/2017
<b>Opening borrowings</b>	<b>750,709</b>	<b>721,939</b>
Loans	425,277	198
Change in the assignment of trade receivables		(17,318)
Repayment of loans	(452,534)	(1,223)
Interest expense for the period	50,518	47,265
Change in bank overdrafts	(53)	(351)
Change in scope	(1,261)	199
Other movements	(140,455)	
<b>Closing borrowings</b>	<b>632,202</b>	<b>750,709</b>

Other movements in the year ended 31 July 2018 include the conversion of convertible bonds in the amount of €135 million over the period.

#### 6.2.16.3. *Breakdown of the main sources of funding*

##### 6.2.16.3.1. *High-yield bond debt of €425 million*

In October 2017, the Group went ahead with the early redemption of the two bonds on 3ABOD and LSF2, in the amounts of €365 million and €75 million respectively, via the issuance of a new high-yield bond in a total amount of €425 million on 3ABOD. 3ABOD issued €425 million in senior secured notes on 16 October 2017, with redemption at maturity on 15 October 2023. The bond is split into two tranches, one of €250 million at a fixed rate of 4% per annum and the other of €175 million at a floating rate of Euribor +4.125%. It is redeemable early without penalty, commencing on 15 October 2019.

This high-yield bond is subject to limited financial constraints:

- The Group is not subject to compliance with financial ratios such as a leverage ratio (Net Debt/EBITDA).
- The restrictions primarily relate to the realisation of transactions related to additional funding (incurring additional indebtedness, making investments, etc.).
- In terms of collateral, the new bonds mainly benefit from the pledge in favour of their holders of shares of the major Group companies, as well as the pledge of the Group's main bank accounts.

Under the terms of these bonds, the Group must report its quarterly condensed consolidated financial statements and its annual audited consolidated financial statements within two and four months respectively. The Group considers itself to have been in compliance with all the conditions of these bonds as of 31 July 2018.

##### 6.2.16.3.2. *Revolving credit facility of €30 million*

The new bond was accompanied by the establishment of a €30 million revolving credit facility (RCF). This is a precautionary facility allowing the Group to cover its current requirements. It was established on 17 October 2017, with a term of 54 months from its inception. The applicable interest rate is a variable rate combining Euribor and a margin, the margin being calculated on the basis of a leverage ratio. A non-use commission is applicable in proportion to the margin by draws. The securities of AFFLELOU, LSF2 and 3ABOD have been pledged as collateral, as have as the securities of potentially borrowing subsidiaries (3ABOD, AAFR, LOA, 3ABOE, AAE and AAO) and the main bank accounts. The early repayment of the RCF would not generate penalties. This credit facility has been undrawn since its establishment. Reporting obligations are the same as for bond lenders. The Group must also certify, period-by-period, that the adjusted EBITDA of the prior 12 months is above €45 million. The most recent such report was made for the quarter ended 30 April 2018. The Group considers itself to have been in compliance with terms of this credit facility as of 31 July 2018.

### 6.2.16.3.3. Convertible bonds issued by AFFLELOU

(in thousands of euros)	01/08/2017	Reduction	Capitalisation of interest	31/07/2018
Issuance of convertible bonds	137,036	(58,121)		78,915
Capitalisation of interest	168,287	(90,408)	49,338	127,217
<b>Total</b>	<b>305,323</b>	<b>148,529</b>	<b>49,338</b>	<b>206,132</b>

On 17 July 2012, AFFLELOU issued 201,489,998 convertible bonds (OCA) at a price of 1 euro at par, paying a fixed interest rate of 14%. As of 31 July 2018, the OCA were valued at €259,369,614, after the capitalisation of interest. Interest on the OCA is capitalised (the first capitalisation took place on 31 July 2013) and payment will be made either on the date of redemption or the date of conversion. The convertible bonds mature on 17 July 2027. Conversion is possible at any time, on the basis of one share for one bond. Early repayment is possible at the issuer's initiative, subject to the conditions of the subordination agreement, or, at the holder's initiative, subject to compliance with the terms of the subordination agreement, in case of change of control or IPO. On 17 July 2012, AFFLELOU issued 1,820,000 bonds convertible into class R preference shares (OC ADP) at a price of 1 euro at par, paying a fixed interest rate of 14%. As of 31 July 2018, the OC ADP were valued at €1,586,716, after the capitalisation of interest. Interest on the OC ADP is capitalised (the first capitalisation took place on 31 July 2013), the payment will be made either on the date of redemption or the date of conversion. The convertible bonds mature on 17 July 2027. Conversion is possible at any time, on the basis of one share for one bond. Early repayment is possible at the issuer's initiative, subject to the conditions of the subordination agreement, or, at the holder's initiative, subject to compliance with the terms of the subordination agreement, in case of change of control or IPO.

### Equity component of convertible bonds

The convertible bonds were recorded as debt and as equity. As of the date of issue, in accordance with IAS 32, the debt component was measured by discounting the value of the contractual cash flows of the convertible debt at an estimated market rate of 17% (see Note 3.17.2). The difference between the value of the compound instrument and the debt component has been recorded in equity in "Other reserves" in the initial amount of €66,274 thousand. As of 31 July 2018, the instrument was valued at €38,165 thousand.

### 6.2.16.4. Breakdown of borrowings by maturity

(in thousands of euros)	Current	Non-current	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total as of 31/07/2018
Carrying amount of convertible bonds	0	206,132					206,132	206,132
<b>I) Total convertible bonds</b>	<b>0</b>	<b>206,132</b>					<b>206,132</b>	<b>206,132</b>
Senior secured fixed rate	2,796	247,763					247,763	250,559
Senior secured floating rate	246	173,434					173,434	173,680
<b>II) Medium-term external borrowings</b>	<b>3,042</b>	<b>421,196</b>					<b>421,196</b>	<b>424,239</b>
Finance leases	23	21	21					44
Medium-term loans	350	0						350
Bank overdrafts and assignment of trade receivables	119							119
Security deposits	0	1,318	1,318					1,318
<b>III) Total other financial borrowings</b>	<b>492</b>	<b>1,339</b>	<b>1,339</b>					<b>1,831</b>
<b>Total (I+II+III)</b>	<b>3,534</b>	<b>628,668</b>	<b>1,339</b>				<b>627,329</b>	<b>632,202</b>

### 6.2.17. Hedging instruments

Following the issuance of the new €425 million bond, the Group established an interest rate hedge covering the total of the variable rate tranche of €175 million. It thus acquired options to cap the variable rate indexed on 3M Euribor at 0% over the 2018 and 2019 calendar years.



### **6.3. Notes on risk exposure**

As of 31 July 2018, exposure to various market risks can be analysed as follows:

#### **6.3.1. The Group's position in relation to interest rate risk**

The Group's exposure to interest rate risk as of 31 July 2018 is immaterial. The Group's policy is to ensure that its exposure to interest rate risk is on fixed-rate borrowings or on floating rate borrowings by contracting derivative instruments to hedge the volatility of cash flows attributable to interest rate risk.

#### **6.3.2. The Group's position in relation to currency risk**

The Group has little exposure to the risk of exchange rate fluctuations, which relate primarily to the euro/dollar exchange rate, reflecting the Group's purchases, which are predominantly denominated in US dollars. To address this risk, the Group has:

- established agreements on purchasing conditions with some of its suppliers, on the basis of a fixed dollar/euro exchange rate, and more specifically with Okia, its main supplier, with which a derivative embedded in the supply contract allows the impact of changes in the dollar/euro exchange rate compared with the rate set in the contract to be shared equally between the two parties, and
- ensured that the terms of purchasing agreements can be renegotiated in the event of an appreciation of the dollar against the euro.

#### **6.3.3. The Group's position in relation to equity risk**

The Group's exposure to equity risk was confined to its investment in OPTIVISAO.

#### **6.3.4. The Group's position in relation to credit risk**

The large number of customers means that there is no concentration of credit risk on the receivables held by the Group. Generally speaking, the Group considers that it is not exposed to specific credit risk on its financial assets, except in France, where secured transactions in payments to suppliers result in del credere commissions.

#### **6.3.5. The Group's position in relation to liquidity risk**

Management of liquidity risk by the Group and each of its subsidiaries is monitored closely and periodically assessed, based on Group financial reporting procedures. The Group has a €30 million undrawn revolving credit facility to cover any short-term liquidity risk, in addition to an unconfirmed bank overdraft and discounted trade receivables.

### **6.4. Notes on the accounting classification and fair value of financial instruments**

(in thousands of euros)	31/07/2018	Market value	Breakdown by accounting classification		
	Carrying amount		Fair value through equity	Loans and receivables	Amortised cost
Non-current assets					
Non-current financial assets	13,749	13,749		13,749	
Current assets					
Trade receivables	69,788	69,788			69,788
Cash and cash equivalents	37,609	37,609		37,609	
Current and non-current liabilities					
Convertible bonds	206,132	206,132			206,132
Medium-term external borrowings	424,239	417,844			417,844
Other financial borrowings	1,831	1,831			1,831

Trade payables	39,539	39,539	39,539
----------------	--------	--------	--------

The valuation methods used for financial instruments as of 31 July 2018 are as follows:

- derivative financial instruments recorded in assets are valued at their market value;
- financial instruments recorded in liabilities, specifically other loans, are measured using other valuation methods such as discounted cash flows, taking into account the Group's credit risk and interest rate conditions at the closing date.

The Group distinguishes three classes of financial instrument:

- Level 1: financial instruments measured using prices quoted in an active market;
- Level 2: financial instruments measured at fair value using valuation techniques based on observable market parameters;
- Level 3: financial instruments measured at fair value using valuation techniques based on unobservable parameters (parameters yielding valuations resulting from assumptions not based on observable market transaction prices for the same instrument or observable market data available as of the balance sheet date) or that are based only partially on such parameters.

The Group's medium-term external borrowings (high-yield bonds traded in Dublin) belong to the Level 1 category; all other financial instruments belong to the Level 3 category. The tables above provide the following information for the various classes of financial instrument:

- in the first column: the carrying amount
- in the second column: fair value pursuant to IFRS 7.25
- in the third column: the IAS 39 category under which they are valued pursuant to IFRS 7.8.

## 6.5. Notes on the statement of cash flows

### 6.5.1. Cash and variations

Cash net of overdrafts amounted to €37,490 thousand as of 31 July 2018 (€35,245 thousand as of 31 July 2017), corresponding to the amount of cash and cash equivalents presented in the statement of cash flows.

(in thousands of euros)	31/07/2018 (12 months)	31/07/2017 (12 months)
Cash and cash equivalents	37,609	35,326
Bank overdrafts	(119)	(82)
<b>Total</b>	<b>37,490</b>	<b>35,245</b>

## 6.6. Contingent liabilities, off-balance sheet contractual commitments and contingencies

### 6.6.1. Off-balance sheet commitments

(in thousands of euros)	31/07/2017	31/07/2018	Less than 1 year	1 to 5 years	More than 5 years
<b>A – Commitments given</b>					
Lease commitments—office space	6,130	4,026	1,833	2,002	191
Lease commitments—stores	30,995	25,153	12,175	12,887	91
Lease commitments—operating leases	1,140	1,003	568	436	
Sundry guarantees to third parties	6,201	10,524	7,057	3,467	
Securities and bank guarantees—Spain	12,986	11,072	2,180	8,257	634
Securities and bank guarantees—France	5,763	3,415	1,692	1,723	
<b>Total commitments given</b>	<b>63,215</b>	<b>55,193</b>	<b>25,505</b>	<b>28,772</b>	<b>916</b>
<b>B – Commitments received</b>					
Lease commitments—office space	1,000	66	66		
Guarantees related to businesses sold by the Group	13,677	12,039	3,488	6,274	2,277

Liabilities related to the central payment structure	6,108	6,160	1,991	3,701	468
<b>Total commitments received</b>	<b>20,785</b>	<b>18,265</b>	<b>5,545</b>	<b>9,975</b>	<b>2,745</b>

Lease payments relate to the buildings occupied by the Group, either as offices or commercial premises (opticians), with marginal lease payments on operating leases corresponding primarily to leased computer hardware without purchase commitments.

Sundry guarantees to third parties correspond chiefly to rental obligations that the Group has kept with some lessors on stores sold, in exchange for similar commitments received in the Group's favour, from franchisee buyers. Lastly, sundry guarantees to third parties as of 31 July 2018 notably include the commitment by L'OPTICIEN AFFLELOU to purchase six of the Group's franchised business assets.

Bonds and bank guarantees given cover liabilities to banks financing franchisees, either as part of acquisitions or openings of outlets or assistance with funding refurbishments or working capital. Secured loans are part of the overall budgets. The Group is involved in these transactions in its capacity as guarantor to these banks of the financing they provide to franchisees in the proportion of 100% of each application for financing, up to a maximum portion usually set at approximately 30%.

Commitments received related to the central payment structure consist mainly of pledges and guarantees made by the franchisees on schedules or agreements covering the repayment of the debts of the central payment structure.

- Measurement of commitments: property lease commitments are measured on the basis of the period remaining until the end of the lease (without possibility of early release), as are other leases, which relate chiefly to computer hardware. It is also noted that commitments in respect of finance leases and operating leases relating primarily to the assets of stores (furniture, optical equipment, etc.) are not included in the Group's debt as reported in the table above if they do not include specific commitments.
- Commitments received as part of the relationship with franchisees: under franchise agreements, franchisees are encouraged to make personal guarantees in favour of the Group for the obligations and liabilities they incur to the Group's central payment structure. These guarantees are generally prorated at 30% of annual sales excluding VAT in France and Spain; only guarantees and sureties related to franchisees' specific debts (agreements, staggered payments, vendor loans) are shown in the table of commitments received.

#### **6.6.2. Dependence of the Group on patents, licences and supply contracts**

The Group is not significantly dependent on patents, licenses or supply contracts.

#### **6.6.3. Notification, lawsuits and disputes**

Companies belonging to the Group may become involved in lawsuits or litigation in the normal course of their business, including disputes with tax, social security or customs authorities.

On 27 May 2015, the French Competition Authority notified Alain Afflelou Franchiseur of grievances, accusing it of "having colluded with providers of eye- and sunglass frames, from 2003 at the latest and until 2009, to fix retail prices and to impede the fixing of prices through free competition in violation of the provisions of Article L.420-1 of the French Commercial Code and Article 101 paragraph 1 of the TFEU".

Alain Afflelou Franchiseur responded to the grievances laid out by the French Competition Authority on 27 July 2015, vigorously contesting them on all points. In July 2016, Alain Afflelou Franchiseur received a report from the French Competition Authority in response. The report rejects the arguments put forward by Alain Afflelou Franchiseur, but nevertheless narrows the period of the alleged practices, stating that the practices at issue were spread as regards Alain Afflelou Franchiseur between 25 February 2005 and 31 December 2009. The report also caps the potential penalty at approximately €12.5 million.

The French Competition Authority issued a decision on the vertical agreement grievances on 24 February 2017. It decided to refer the issue back for further investigations. It is difficult to predict the outcome of the new investigation, bearing in mind that it was deemed at this stage of the proceedings that collusion had not been identified. The referral should result in a complementary notification that may not be issued for

several months. It is not possible to assess the amount of any fine to which Alain Afflelou Franchiseur may be liable if the case brought by the French Competition Authority is successful.

Alain Afflelou Franchiseur, which continues to believe itself to be in the right, intends to continue contesting the French Competition Authority's allegations vigorously. Accordingly, no provision for this litigation has been recorded in the Group's consolidated financial statements.

On 8 December 2017, the Group received a notification from the tax authorities following an audit of VAT deducted by Optical Finance in the years 2014 to 2016. Adjustments notified by the tax authorities amounted to €1.5 million.

Following receipt of the tax authorities' assessment on 16 August 2018, the group decided to pay the sum corresponding to the principal adjustment of €966 thousand. Nevertheless, the Group initiated a legal challenge, considering the authorities' position to be unfounded. The Group also called the vendor warranties issued by the vendor shareholders on its acquisition of Optical Finance, which are capped at €1 million.

No litigation involving companies belonging to the Group is underway that, in the opinion of legal experts, poses a risk to the Group's normal and foreseeable operations or planned development. The Group does not believe there to be any other disputes involving significant prospective risks liable to affect its assets, results or financial condition for which provisions had not been set aside as of the year-end. No dispute, taken individually, is significant at either the individual company or Afflelou Group level. The Group is not aware of any other litigation or arbitration liable to have or having had in the recent past a significant impact on the Afflelou Group's financial position, business or earnings.

## **6.7. Related parties**

---

### **6.7.1. Related-party transactions and balances**

The main related parties with which the Group carried out transactions are as follows:

- Lion Seneca Lux 2, leading shareholder of the Company and the entities that control it:
  - Lion Capital provides management services to AFFLELOU. In respect of such services, the Group recorded expenses of €1,071 thousand in fiscal 2018 and €1,081 thousand in fiscal 2017.
  - Lion Seneca Lux 2 holds 99,575,377 bonds convertible into common shares and 711,895 bonds convertible into class D preference shares of the Company. The corresponding investments amounted to €223,528 thousand as of 31 July 2018 and €337,781 thousand as of 31 July 2017, of which €43,802 thousand and €41,986 thousand in capitalised interest in respect of fiscal 2018 and 2017 respectively.
  - Afflelou (formerly "Lion Seneca France 1") has also signed a €2,000 thousand loan agreement with Lion Seneca Lux 2. The balance was €326 thousand as of 31 July 2018 and €2,318 thousand as of 31 July 2017. Interest income amounted to €79 thousand in the year ended 31 July 2018. Interest income was capitalised in the amount of €288 thousand as of 31 July 2017.
- Alain Afflelou, his family members and the entities they control:
  - The AA-OC holding company holds 16,793,194 bonds convertible into common shares of the Company. The corresponding investments amounted to €37,438 thousand as of 31 July 2018 and €57,473 thousand as of 31 July 2017, of which €7,396 thousand and €7,144 thousand in capitalised interest in respect of fiscal 2018 and 2017 respectively.
  - The AA-OC and AA CONSEIL LIMITED holding companies, managed by Alain Afflelou, provide services to AAI. The AA-OC holding company granted a concession for the exploitation of the rights to the personality attributes of Alain Afflelou, and the related expense was €100 thousand in fiscal 2018 and €100 thousand in fiscal 2017. The Group's debt to Holding AA OC was €10 thousand as of 31 July 2018 and €29 thousand as of 31 July 2017. AA CONSEIL LIMITED provides business strategy consulting services, and the related expense was €136 thousand in fiscal 2018 and €138 thousand in fiscal 2017. The Group's debt to AA CONSEIL LIMITED was €34 thousand as of 31 July 2018 and €138 thousand as of 31 July 2017.
  - AA OC Mag., which managed leasehold and other rights to six stores operating under the ALAIN AFFLELOU banner and two under the OD banner as of 31 July 2018. AA-OC has

mandated LOA to manage these stores on its behalf. The Group invoiced €2,002 thousand in fiscal 2018 and €2,899 thousand in fiscal 2017; it was billed €174 thousand in fiscal 2018 and €32 thousand in fiscal 2017. The Group's net receivable was €327 thousand as of 31 July 2018 and €1,035 thousand as of 31 July 2017.

- The Fondation ALAIN AFFLELOU, a corporate foundation created by AAE. The foundation received €22 thousand in fiscal 2018 and €26 thousand in fiscal 2014.
- The Fonds de Dotation ALAIN AFFLELOU, an endowment fund created by AAFR and chaired by Alain Afflelou. The foundation received €11 thousand in fiscal 2018 and no endowments in fiscal 2017.

➤ **Members of the Board of Directors:**

- CAP DEPO, based in Rouen, whose sole shareholder is Emmanuel Poux, brother of Frédéric Poux, provides supply chain and logistics services to the Group. CAP DEPO invoiced €832 thousand in fiscal 2018 and €402 thousand in fiscal 2017. The Group's debt was €64 thousand as of 31 July 2018 and €199 thousand as of 31 July 2017.
- Frédéric Poux, manager of LJV Capital, which was the holding company of both AFFLELOU and LSF2 until 31 January 2018, invoiced €153 thousand up to 31 January 2018 and €450 thousand in fiscal 2017.

## **6.7.2. Compensation paid to corporate officers**

### **6.7.2.1. Short-term benefits**

The compensation paid by the Group to the members of the Board of Directors, both in respect of their employment contract and as executives, amounted to €586 thousand in fiscal 2018 and €840 thousand in fiscal 2017.

### **6.7.2.2. Long-term benefits**

Other than the benefits related to the defined benefit pension plan, described in 6.2.14, the Company is required to pay the Chairman in the event of termination of his employment contract, which is suspended during the term of his corporate office:

- a gross monthly salary of a fixed aggregate amount equal to 50% of the monthly average compensation throughout the duration of the clause (i.e. 12 months), if the non-compete clause is activated;
- a gross amount equal to 18 months' salary in the event of dismissal not motivated by misconduct or gross negligence;
- a specific indemnity in the event of dismissal where the conditions for receiving a full-rate pension or unemployment compensation by Pôle Emploi for 36 months or a disability pension of the second or third category are not filled, this compensation to be paid for a period of 36 months from the date of his effective departure provided he is registered as a jobseeker with Pôle Emploi.

## **6.8. Statutory auditors' fees**

(in thousands of euros)	31/07/2018				31/07/2017			
	Deloitte network	EY	Other	Total	Deloitte network	EY	Other	Total
Certification of separate and consolidated accounts	211	256	28	<b>495</b>	218	310	31	<b>559</b>
Non-audit services	331	393		<b>724</b>	612	710	1	<b>1,323</b>
<b>Total</b>	<b>542</b>	<b>649</b>	<b>28</b>	<b>1,219</b>	<b>830</b>	<b>1,020</b>	<b>32</b>	<b>1,882</b>

## 7. List of consolidated companies as of 31 July 2018

Name	Registered office	Country	Basis of consolidation	31 July 2018		31 July 2017		% interest
				% control	% interest	Basis of consolidation	% control	
Afflelou	Paris	France	Parent company	100%	100%	Parent company	100%	100%
Lion Seneca France 2 (LSF2) <sup>(2)</sup>	Paris	France	FC	100%	100%	FC	100%	100%
3AB Optique Développement (3ABOD)	Paris	France	FC	100%	100%	FC	100%	100%
Alain Afflelou Franchiseur (AAFR)	Paris	France	FC	100%	100%	FC	100%	100%
Alain Afflelou International (AAI) <sup>(1)</sup>	Luxembourg	Luxembourg	FC	100%	100%	FC	100%	100%
Alain Afflelou Belgique (AABEL)	Brussels	Belgium	FC	100%	100%	FC	100%	100%
Alain Afflelou España (AAE)	Madrid	Spain	FC	100%	100%	FC	100%	100%
Optical Finance Espana (OFE)	Madrid	Spain	FC	100%	100%	FC	100%	100%
Polus Vision SLU <sup>(5)</sup>	Madrid	Spain	FC	100%	100%			
Alain Afflelou Audiologo (AAU)	Madrid	Spain	FC	100%	100%	FC	100%	100%
Alain Afflelou Portugal (AAP)	Porto	Portugal	FC	100%	100%	FC	100%	100%
3AB Optique Expansion (3ABOE)	Paris	France	FC	100%	100%	FC	100%	100%
Optical Finance (OF)	Paris	France	FC	100%	100%	FC	100%	100%
AA Asia limited (AAA)	Hong Kong	China	FC	100%	100%	FC	100%	100%
Optical Finance Belgique (OFBEL)	Brussels	Belgium	FC	100%	100%	FC	100%	100%
Lion Seneca France Audio (LSFA)	Paris	France	FC	100%	100%	FC	100%	100%
Ursa Vision (OPT)							Merger	
Digital Eyewear	Paris	France	FC	100%	100%	FC	100%	100%
AA LATAM	Madrid	Spain	FC	100%	100%	FC	100%	100%
<b>AAO Group:</b>								
F2L	Paris	France	FC	100%	100%	FC	100%	100%
Alain Afflelou Optico (AAO)	Madrid	Spain	FC	100%	100%	FC	100%	100%
ALDEBARÁN VISION S.L. <sup>(3)</sup>	Jaén	Spain			Merge			
OPTICAS AZAHAR SL <sup>(6)</sup>	Castellon	Spain	FC	100%	100%			
<b>LOA Group:</b>								
L'opticien Afflelou (LOA)	Paris	France	FC	100%	100%	FC	100%	100%
<b>Other directly-owned companies:</b>								
ACADEMIE VISION <sup>(4)</sup>	Beziers	France	FC	100%	100%			
GRUPE OPTIQUE MEDITERANEE <sup>(4)</sup>	Beziers	France	FC	100%	100%			
CATHARE OPTIQUE <sup>(4)</sup>	Lezignan Corbières	France	FC	100%	100%			

(1) AA Brands is a branch of Alain Afflelou International; it is not mentioned in the scope of consolidation.

(2) Merged retroactively with Afflelou in August 2017.

(3) Merged with AAO in November 2017.

(4) Acquired in January 2018.

(5) Established in March 2018.

(6) Acquired in June 2018.

The Group has a Foundation in Spain, the purpose of which is to promote screening for visual impairments, especially among children. It also has an Endowment Fund in France, the purpose of which is to raise funds for work carried out directly or through associations. The Group also has a charity in France “Loi 1901”, the purpose of which is to support work of all types in the areas of vision and hearing (improvement, protection and awareness raising). These two interests are not material, and are not consolidated by the Group.

## **8. Subsequent events**

### Redemption of convertible bonds:

On 4 September 2018, at its own initiative, the Company completed the early redemption of a portion of the OCA in the number of 3,252,343 OCAs (as well as related capitalised and accrued interest), corresponding to an amount of €7,348 thousand.

**REGISTERED OFFICE OF THE ISSUER**

**Afflelou**  
11 rue d'Argenson  
75008 Paris, France

**LEGAL ADVISORS TO THE ISSUER**

(as to French law)  
**Latham & Watkins AARPI**  
45, rue Saint Dominique  
75007 Paris  
France

(as to U.S. federal, New York state and English law)  
**Latham & Watkins (London) LLP**  
99 Bishopsgate  
London EC2M 3XF  
United Kingdom

(as to Luxembourg law)  
**Goodwin Procter (Luxembourg)**  
6-42 Avenue Monterey,  
2163 Luxembourg  
Grand Duchy of Luxembourg

**LEGAL ADVISORS TO THE INITIAL PURCHASERS**

(as to U.S. federal and New York state law)  
**Cravath, Swaine & Moore LLP**

CityPoint  
One Ropemaker Street  
London EC2Y 9HR  
United Kingdom

(as to French and English law)  
**Clifford Chance Europe LLP**

1 rue d'Astorg  
75008 Paris  
France

(as to Luxembourg law)  
**Clifford Chance Luxembourg**

10 Boulevard Grande-Duchesse  
Charlotte, 1147 Luxembourg  
Grand Duchy of Luxembourg

**PAYING AGENTS, TRANSFER AGENTS, CALCULATION AGENT AND REGISTRARS**

**TRUSTEES AND SECURITY AGENTS**

**U.S. Bank Trustees Limited**  
125 Old Broad Street, Fifth Floor  
London EC2N 1AR  
United Kingdom

**Elavon Financial Services DAC**  
Building 8, Cherrywood Business Park  
Loughlinstown, Dublin 18,  
D18 W319, Ireland

**LISTING AGENTS**

**Walkers Listing Services Ltd.**  
17-19 Sir John Rogerson's Quay  
Dublin 2  
Ireland

**INDEPENDENT AUDITORS OF THE ISSUER**

**Ernst & Young et Autres**  
Tour First  
1-2, Place des Saisons, TSA 14444  
92037 Paris La Défense Cedex  
France

**Deloitte & Associés**  
6, place de la Pyramide  
92908 Paris-La Défense Cedex  
France

**LEGAL ADVISORS TO THE TRUSTEES**

**Greenberg Traurig, LLP**  
The Shard, Level 8  
32 London Bridge St, London SE1 9SG  
United Kingdom



# AFFLELOU

**€410.0 million    % Senior Secured Notes due 2026**

**€75.0 million Senior Subordinated Floating Rate Notes due 2027**